Monday December 1 1986

drugs to top

EEC agenda

rorism and drug-trafficking will be on what Downing Street calls one of the two key items for the "maintaining the freedom of our so-EEC summit in London this week.

The issue has been given added forward than the other main debate

urgency by agreement among the of the summit - on tacking unem-member states on the need for fur-ployment, speeding up progress to-

member states on the need for fur-ther measures following last week's wards a single Common Market

1831 Germany rockets into the spacerace, Page 2

Broad agreement among the 12

cieties" is likely to be more straight-

and promoting small businesses.

European trade unions are al-

ready up in arms because "Mrs

Thatcher could not find the time to

receive a trade union delegation" in

advance of the summit, according to

the European Trade Union Confederation (ETUC).

failure to do so was "all the more re-

grettable at a time when unemploy-

ment is very high, and poverty zones shamefully extend in our de-

The trade union suspicion is that

emphasis in the debate on greater

flexibility in labour markets and

promoting small businesses

through deregulation, rather than

veloped countries."

It is usual for the host at an EEC

D 8523 B

JOINT European action against ter-

British officials believe that

much closer co-operation and ex-change of information between Eu-

ropean police and security services

set in train by EEC interior minis-

ters - will turn out to be one of the

most important achievements of

the six months' British chairman-

to endorse further joint action and

a broad approach involving tougher

controls at external EEC frontiers

with easier movement inside the

All the subjects in that debate -

al harmonisation of EEC visa poli-

cies, co-operation to avoid the abuse

ship of the Community.

Berlin bomb trial.

Sikhs kill St Gobain 24 Hindus flotation in Punjab success massacre 'assured'

Sikh extremists shot dead 24 Hindu SAINT-GOBAIN, the French glass bus passengers and wounded eight others in northern Punjab state, prompting fears of a backlash. At least four gunmen forced a 45-seater bus off the road in a remote

area and ordered all the Hindu passengers out. They escaped after shooting their victims at close It was the biggest massacre of Hindus in Punjab since extremists shot 14 Hindus at Mukhtsar in July,

an incident which led to Hindu-Sikh riots in Delhi. Bhopal go-ahead

The Indian Government and Union Carbide cleared the way for court hearings in January on compensation claims totalling \$3bn over the lethal gas leak which claimed thousands of lives in Bhopal two years ago. Page 3

Taiwan return foiled

Hsu Hsin-liang, outspoken critic of the Taiwan Government, failed in his attempt to return to his country when he was refused permission to board a flight from Tokyo. A violent confrontation followed between his supporters and riot police in Taipei.

Kremiin crackdown

Soviet leaders have ordered a crackdown on abuses in the country's police force and judiciary as part of a drive by leader Mikhail Gorbachev to root out corruption.

Vanunu in court

Former nuclear technician Mordechai Vanum, accused of espionage and treason for telling a British newspaper that Israel was produa Jerusalem court, his first appearance in public for two months. The hearing was adjourned.

Basque election

The centre-right Basque Nationalist.
Party was last night heading for its
first regional defeat against Spain's

IAPAN'S nine main electric power
tiltities' combined pre-tax profits the autonomous Basque Parliament, according to official estiballot count.

Palestinian grip

Palestinian guerrilles tightened their grip on a hilltop village in south Lebanon in their continuing battle with Shia Amal forces. The PLO called for an emergency meet-ing of Arab foreign ministers to end the feuding.

Nixon papers on view

White House papers that former US President Richard Nixon once thought he could keep secret will be opened to public inspection in Washington today after a 12-year battle over their fate.

Pope's odyssey

Pope John Paul wound up a remar-kable odyssey through Australia that was hailed by commentators as a resounding success. In less than a week, he travelled 6,000 miles to the capital of every state and territory.

Soyiet fireball

A Soviet newspaper blamed the carelessness of railway staff for an incident in which a cargo train carrying inflammable chemicals col-lided with a passenger train and burst into flames. Two people were killed and 23 injured.

Compulsory saving

Norway plans to enforce savings of 1 per cent of gross income for all earning above the equivalent of \$13,000 a year to dampen consumer demand. The money will be deposit-ed in fixed interest accounts with the Central Bank.

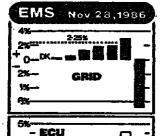
Cary Grant dies

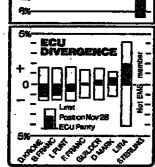
Cary Grant, the suavest romantic lead in cinema history, died at 82 after a stroke in Davenport, Iowa. Obituary, Page 17.

and engineering group which is be-ing privatised, has already been heavily oversubscribed. The issue closes on December 5. Page 21

Business summary

EUROPEAN Monetary System: The Belgian franc remained weak within the EMS last week as renewed dollar weakness pushed the D-Mark firmer. Disappointing US eco-nomic data saw the dollar fall below the psychologically important DM





2.00 level, which put further pres sure on weaker members of the sys tem such as the Belgian franc and the Danish krone. However, both currencies traded within their divergence limits, with the Danish krone at 57 per cent of its maximum divergence spread on Friday com-pared with 63 per cent the previous

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2% per cent. The lower chart gives each currency's divergence from its central rate against the European Currency Unit (ECU), itself a basket of Eu-

ruling Socialist Party in elections to surged 62.5 per cent to Y620.1bn (\$3.83bn) in the first half-year to September. Page 23 September. Page 23
Central bank, led a team of four top
TIFFANY building in New York officials for meetings with the Bru-

City is being sold by Pacific Realty, a closely held US property company, to Dai-Ichi Real Estate of Tokyo, for more than \$94m.

BRLL CANADA Enterprises' chairman Robert Richardson is retiring after three years and is being suc ceeded by Raymond Cyr, now president of BCE's telecommunications subsidiary Bell Canada.

AGRICOLA Finanziaria, the quoted subsidiary of Raul Garini's Ferruzzi empire, has reported net earnings of 128bn (\$20.5m) for its first six months to August, 5% times higher than during the same period in

BANK of Nova Scotia, Canada's fourth-biggest banking group, raised net income to C\$336.2m (US\$243m) in the year to October 31, from C\$303.6m in 1985. Page 23 PLESSEY, the UK electronics and defence group, has failed to break

into the French market with its System X telephone exchange equipment. Page 23 ISUZU Cars (Great Britain), the privately owned company which imports Isuzu vehicles from Japan

has been placed in the hands of a PETRO-LEWIS, struggling Denver based oil and gas group which was

one of the most aggressive market-ers of oil and gas partnerships dur-ing the boom in oil prices, has defaulted on some of its debt pay ments and is considering filing for protection under Chapter 11 of the US bankruptcy code. Page 21

TOKYO Bond index, calculated by Nomura Research Institute, covering Japanese domestic and yen-de nominated foreign issues, will appear every Monday in the FT. Today it is on Page 22. In Saturday's half-day stock-exchange session in Tokyo, the Nikkei index rose 242.48 to 18,325.5. Leading share prices,

ROW GROWS OVER IRANIAN ARMS SCANDAL

Terrorism and Reagan urged to support calls for investigation

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan returned to the White House yesterday to face impassioned appeals Democrats to salvage his presiden-cy by supporting calls for a Water-Congress to investigate the Iran

Mr Reagan, his popularity and credibility sapped by the growing controversy, is also under pressure to appoint a special independent prosecutor to replace the Justice Department inquiry led by his close friend Mr Edwin Meese, the US Attorney General.

White House has been thrown into disarray by the scandal, which has raised doubts about the President's judgments, his lead-ership and the competence of his Sen Robert Dole, the Republican

who remains majority leader until January, said Mr Reagan should call a special session of the 99th Congress, now in recess, to appoint a bipartisan commission on the lines of the Watergate inquiry led by Senator Sam Erwin in 1973. A special session of Congress would be the first in 40 years. Sen Dole, warning that the President had to "come clean" fast to sal-

vage his authority and standing be-

fore the American people and Am-

weekend in an attempt to assess

the implications for the region's banking system of the closure of National Bank of Brunel (NBB),

majority owned by Tan Sri Khoo Teck Puat, the Malaysian-born fi-

nancier who is based in Singapore.

of the Monetary Authority of Singa-

pore, the island's powerful quasi-

nei Finance Ministry. They were seeking clarification on the finan-

cial position at NBB following a

raid by police last month and fraud

charges against senior bank offi-

Tan Sri Khoo, who owns some 70

per cent of NBB, is not among those

sought by the Brunei authorities.

Mr Joe Pillay, managing director

the Watergate scandal which brought down President Richard from leading Republicans and Nixon in 1974: "We can't afford another failed presidency."

Sen Richard Lugar, another strong Republican supporter of Mr Reagan, said yesterday that the President needed to clean out some of his top White House advisers to stem the crisis: "He has to have a new beginning. Every policy is in Criticism from the Republicans,

Mr Reagan's own party, is doubly damaging to the President who is already under heavy fire from the Democrat Party, which takes control of the Senate and House of Representatives on January 8 when the 100th Congress reconvenes.

More than 15 congressional committees are planning to open their own investigations into the scandal, which led to up to \$30m in profits from US arms sales to Iran being skimmed off to Contra rebels fighting the Marxist Sandinista Government in Nicaragua.

Congress had banned indirect and direct military aid to the Contras, sombre Thanksgiving holiday at his according to Mr Meese who re- mountain ranch near Santa Barbavealed details of the scandal last ra, California, has yet to admit, as

Singapore delegation to

study Brunei bank affair

SINGAPORES most senior finan- events, he resigned last Thursday Loans to Khoo interests were fair-

those following the collapse of Pan-

A MAS official said: "There is no

time, there is no closure of the stock

no lifeboat" (an emergency fund for

In Singapore, the MAS moved to comfort to around 30 banks with an calm fears that the NBB affair NBB exposure which are hoping to

could have ramifications similar to meet the MAS today in order to

Electric Industries, a marine sal- Some 40 representatives of banks

vage and property company, just in Singapore, local and foreign, met

danger to our banking system. This Khoo's son who has been NBB

exchange no broking firm involved, rested since the sultanate seized

stockbrokers which was set up last 20. He is charged with alleged false

ecember).

Although total loans by Singafraud involving B\$1bn (US\$593m),

pore banks to Tan Sri Khoo's comprimarily through loans to interests panies exceeded the S\$400m related to the Khoo family which

(US\$182.3m) at stake in the Pan- are claimed to have been made

Electric collapse, he added, their ex- without asequate security and with

cial regulator flew to Brunei at the from the board of Standard Char-ly well secured."

None the less, in the wake of the posure to NBB alone was less, interest unpaid.

tered Bank in the UK.



point a bipartise Commis 8 sionn full access to the facts.

ull access to the facts.

He disclosed that he had discussed the matter with Sen Robert Byrd, who will become the new Senate majority leader in January and said that the commission's The money laundering was con-ducted by a key White House aide, LT Col Oliver North, at a time when nate figures.

President Reagan, who spent a John F. Kennedy did after the Bay

His statement may lend some

learn the results of its inquiries.

on Friday at the instigation of Na-

tional Westminster Bank of the UK.

Mr Khoo Ban Hock, Tan Sri

chairman, is one of five people ar-

control of the bank on November

of Pigs fiasco, that he made a mistake. But there is growing scepti-cism that knowledge of the arms deals was confined in his Administration to Lt Col North and Vice Admiral John Poindexter, the National Security Adviser who resigned last

ملذامنه المصل

Mr Reagan also faces difficulties in the appointment of a successor to Mr Poindexter amid reports of infighting among his advisers. Mr Do-nald Regan, White House Chief of Staff, who is resisting calls for his resignation, is apparently in favour of Mr David Abshire, the former US representive to Nato.

Mr Abshire is seen as a compro-Mrs Margaret Thatcher, the Brit-ish Prime Minister, will be calling on her fellow heads of government advance. The ETUC said the latest mise cardidate, with right wingers urging the President to be bold and appoint a tough figure such as Mr John Lehman, Navy Secretary, or Ms Jeanne Kirkpatrick, former US ambassador to the United Nations. Others favour Mr Bobby Ray Inman, former deputy director of the

The debate over the National Security Adviser mirrors the lack of decisive action within the Administration and the failure of the Presient to exert leadership, a frustrated Sen Lugar said yesterday.

Expatriates spurn UK vote role By Peter Riddell, in London

THE EXTENSION of the right to vote to British citizens living outside the UK has flopped, with only 2½ per cent of those qualified to do

by the last registration date of Octo-ber 10, a total of 12,207 people had declared at British consulates abroad that they wished to be overseas electors. This compares with the estimated 500,000-plus qualified expatriates under the terms of last ar's Representation of the People Act extending the franchise.

Only those registered by October 10 will be able to vote in any British general election when the 12-month register comes into effect next Feb ruary. That covers any summer or autumn general election.

would have preferred to have seen

The choice has been complicated by the fact that two leading conten-

Continued on Page 20

so having registered to vote.

Foreign Office figures show that

The Foreign Office admits that it

Continued on Page 20

of passports, and a common policy on the right of asylum – are being pursued by the interior ministers. on promoting public and private in-vestment and infrastructure spend-Another meeting under the chairmanship of Mr Douglas Hurd, the ing, as favoured by the unions. British Home Secretary, is sched-Britain steps up pressure on EEC trade barriers, Page 2; Editorial comment, Page 18 uled for next week after the summit. A preliminary report has been prepared by high-level officials.

including co-ordination and eventu- Mrs Thatcher will try to put all the

Turkey seeks deal on workers' migration

BY DAVID BARCHARD IN ANKARA

TURKEY is to try to persuade the cember 1 deadline refers only to the in Western Europe.

Under the 1972 Ankara protocol between Turkey and the Community, all Turkish nationals should from today have the right to work in any EEC country. Turkey regards the protocol as a

binding commitment but is seeking the EEC. a compromise in return for increased aid and trading rights and for EEC agreement for it to become a full EEC member before the end of the century.

Professor Ali Bozer, Minister of State for EEC affairs, said he planned to visit all EEC capitals in the next few weeks to press Turkey's case. He said he intended to include a visit to Greece. EEC lawyers are thought to be

pressing the argument that the De-

EEC to agree a compromise on the completion of arrangements by the free movement of Turkish workers Community for the free circulation of Turkish workers in Europe and not to actual migration. Prof Bozer said, however, that

there had been no Community legal counter-argument presented in a letter sent to him last week by Britain in its capacity as President of He said the issue could be re-

EEC Turkey Joint Association Council. I would prefer to have a meeting of the council held as soon as possible," he said. However, meetings with Commu-

nity leaders, including Mr Claude Cheysson, Commissioner for Mediterranean Affairs, and Sir Geoffrey Howe in his capacity as President

Continued on Page 20

Boom in UK accountancy firms continues with latest figures

BY BARRY RILEY IN LONDON

A CONTINUING boom for the British accountancy profession will be revealed by figures to be released by several major firms of accountants during the next few weeks.

First off the mark is Ernst & Whinney, the fifth-largest firm in the UK, which today reports a 22 per cent increase in turnover to inflation £89m (\$126m) in the year ended Angust 31. This expansion is said to have created 320 jobs. Mr Elwyn Elledge, senior part-

ner, said that a key factor was "our

ability to continue to improve the

quality of service to existing clients while at the same time attracting However, it is not clear that Ernst & Whinney's growth rate will turn out to be particularly high by the standards of the big firms as a whole. Price Waterhouse, for example, will also reveal a growth in turnover of more than 20 per cent

> Arthur Andersen, meanwhile, says that it has achieved growth in real terms (that is, chargeable hours) of more than 25 per cent in its important consultancy opera-

are to some extent being swollen by
the big pay increases which are beand price-insensitive – demand for ing built into their hourly charging advice on systems and managerates. With fierce competition for ment controls, leading to the hectic skilled staff salaries in Lordon have been rising at more than 10 per cent a year even though general visions. inflation has been only around 3

usually only been modest, increases of the order of 10 per cent in chargeable hours in tax work is claimed by several of the big firms. Elsewhere, management consultancy continues

Much of the growth of the profes-sion is linked to the buoyancy of the financial markets. The high level of takeovers and new issues, including privatisation offers by the Government, has stimulated investigations when it reports in two weeks' time. work and has created new public company audit clients. Growing wealth of individuals, as well as companies, has stimulated demand

less dramatic structural changes recent rate.

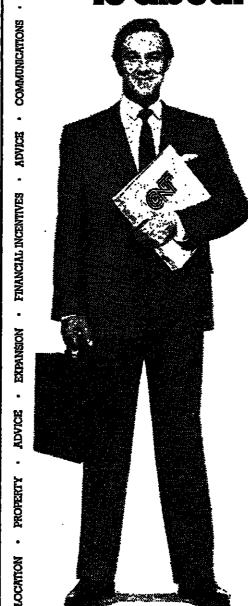
Turnover figures for accountants within the financial services indusexpansion in the big accounting firms' management consultancy di-

Mr Don Hanson, UK senior partner of Arthur Andersen, cautioned Nevertheless underlying real ex- that the dependence on financial pansion has been very strong. Al-though growth in auditing has should consider what could replace the financial sector as the main source of revenue," he said. "We need to make sure there will be life after Big Bang."
But he and other senior partners

to be the leading growth activity of the profession. "We expect our encouraging rate of growth to conne," said Mr Jeffery Bowman of Price Waterhouse Mr Eilledge of Ernst & Whinney

pointed out that last year's results were boosted by new audit clients such as British Coal, Currys and the Past Office. On the basis of further andit gains including the London Docklands Development Corpora-tion, Nabisco and MFI, he confidently forecast that Ernst & Whin-Moreover Big Bang and other ney would continue to grow at the

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MONDAY

Mr Ken Olsen, of Digital Equipment Corp of the US,

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Spain Section IV

Britain steps up pressure for end to EEC trade barriers

trade barriers between com-munity member-states.

The community trade ministers will gather in Brussels this improve on the disappointing morning to start what promises progress it has made as EEC to be a marathon negotiating session over 16 steps towards the creation of a free internal European market.

The list, selected by the UK, covers a disparate but in many cases crucial range of propo-sals. They include the opening

not lift their objections during If today's meeting falls to today's debate, they face the make substantial progress, prospect of being out-voted Mrs Thatcher is planning to re-

This follows a period of frenetic diplomatic activity by a British Government keen to progress it has made as EEC chairman in lifting common market barriers — and painfully aware that today might be the last chance to make headway on the issue before its presidency runs out at the end

In the past week, Mr Clark, up of public purchasing to Lord Lucas, a parliamentary other EEC states, the estab-lishment of common standards Britain's Department of Trade

If today's meeting fails to

BRITAIN will try to put next year, when the introduc-severe pressure today on its 11 tion of the European Single EEC partners to agree to a Act will permit more majority in London at the end of this package of measures to scrap voting.

Britain is determined to avoid leaving a tangle of uncompleted tasks for the Belgian presi-dency to take on at the turn of

Both countries, along with the Netherlands — the pre-vious EEC chairman — have vious EEC chairman — have agreed to a rolling programme of 149 internal market decisions by June next year, 95 of them by the end of December. With just 20 decisions so far under the UK's belt, to add to the 21 made by the Dutch presidency, the programme is well behind schedule. EEC officials believe there is a good chance of agreement on at least four of the proposals on today's agenda, relating to tougher rules against counter-

for telecommunications and information technology, and the protection of micro-circuit design copyright.

Each measure has been blocked by fairly minor objections from at least one member-states into sacrificing their national objections to toway's proposals.

British Trade Minister, who will be chairing the meeting. British Trade Minister, who will be chairing the meeting. It is expected to emphasise that if his ministerial collengues do not lift their objections during

as a campiagn to buildoze them consider at greater length.

self for the Bill, the Prime Minisraid that there had been misinderso indings and mistakes on he Gord roment's behalf.
He offd red negotiations on all the majora moints in dispute – adthe major) and the

over

universities

By David Housego in Paris

night offered to modify the Gov-

ernment's controversial univers-

ity legislation to meet the criti-

teachers opposed to the Bill. In a television broadcast, Mr

Chirac proposed a week to 15

days of consultation during which the Bill could be amended

before being submitted again to the national assembly. Mr Chirac's proposal came as

students prepared to endorse today recommendations by their leaders to go ahead with a large

The recommendation came despite the Government's decision on Friday to withdraw the legislation from the floor of the national assembly after only five hours of debate and send it back

for discursion in committee.

Taking full responsibility him-

reduces, entry fees

protest march on Thursday.

as of students and university

tion given to onirsity diplonats. Mg., Chirac's broadcast followed a meeting he held with other Cabinet ministers on Saturday to discuss how to handle an issue that was beginning to divide his administration and put strains on "cohabitation" – the difficult exercise of power sharing be-tween the Government and Pres-ident Francois Mittlerrand.

Reflecting the growing belief within the coalition that their problems are in part the to Mr Mitterrand's subtle undermining of the Government in public, Mr Albert Chalandon, the Minister of Justice, said yesterday that cohabitation had perverse and

permicious ellects. It is the first time that a senior minister has publicly criticised cohabitation in terms long voiced by Mr Raymond Barre, the former Prime Minister.

Over the university issue, Mr Chirac faced conflicting pres-sures from his supporters. Reflecting the views of those on his right wing, the daily Le Figuro warned on Saturday of the dangers of allowing the law to be dictated by street agitation.
On the other hand, the cen-

trists leaders of the UDF - Mr Chirac's coalition partner - have counselled prudence in running against popular opinion.

Chirac in BRITAIN BACKS HYPERSONIC AIRCRAFT PLAN Bonn rockets into the space race climbdown

-based on ideas drawn up during the Second World War for a focket-powered serosplane MR JACQUES CHIRAC, the to bomb US cities. French Prime Minister, las t-

An ambitious project to derelop the so-called Saenger two-stage space aeroplane has been backed during the last year by DM 2.5m (1984,000) from the Bonn Government and Messer-schmitt Boelkow Biohm (MBB), the country's largest acrospace company.

The 11-nation European Space Agency, which co-ordinates Europe's space efforts. is now examining proposals for-mally submitted last week, for West Germany to pool expertise on Saenger with Britain, which is backing a different futuristic pace vehicle, Hotol.

The West German project centres on studies on a hyper-

WEST GERMANY is laying sonic aircraft the size of a jumbo its general attempt to catch up plans to forge ahead in the jet, which would carry piggy-space with France, which space race of the next century back a second rocket-powered has dominated the post-war term research arm.

The idea, for which both ideas advanced by Professor tween the two countries.

Eugen Sacgner, the German space pioneer, who in 1942 drew up a design for a rocket-driven the Technology Ministry in aircraft with a top speed of 11,000 miles an hour, capable of

carrying 1 tonne of dynamite to New York. The Saenger plans, pursued The Saenger plans, pursued independently of work on the V-1 "flying hombs" and V-2 rockets which caused havoe in London and other European cities during the closing months of the war were not realised.

A test facility was established on the Lueneburg Heath in north Germany and destroyed after the war. The heath is now used for training manoeuvres by the British Army.

early elections at the weekend when the leadership of the Republican Party threatened to withdraw from the five-party

coalition government next

you that the Republican Party is not available (for govern-ment after March 1987) unless

there is a profound and radical

rethink of policies."

Despite holding only 5 per

cent of the vote, Republican participation is crucial to the

future of any centre-led government.

To the surprise of many observers, both Mr Spadolini

Bonno. Saenger, which would cost an estimated \$12bn (£8.37bn) to bring to fruition over the next

20 years, is technically feasible. says Mr Ernst Hoegenauer, deputy manager of MBB's space systems group in Munich. Mr Hoegenauer, a veteran of

more than 20 years of joint European efforts in space, who worked with Professor Saenger before he died in 1964, says the project should be pursued as a gramme.

But he has also had talks in West Germany's determina- the US, with, among others Genhypersonic tion over Saenger underlines eral Electric and the Defence transport.

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Britain and Germany, have promised to pool expertise, has generated suspicion in France. The French national space agency. CNES, has developed ideas for another, less advanced orbiting. Transport making orbiting transport vehicle. Hermes, planned to fiy in the

mid to late 1990s.

This is now being backed as a full ESA project, led by the French but with West German. putting up 30 per cent of the costs of the design phase. Mr Hoegenster says Hermes is a stepping stone to the more embilious Szenger and Hotol projects. Apart from providing objects into space. Seenger and Hotol could provide the breakthrough towards establishing

Erasmus project abandoned

A POPULAR plan to promote stu- drawn by the European Commis- of Government to produce ideas for abandoned in a welter of recrimina- which it would be carried out. tions in Brussels.

gramme - European Community sponsible for education policies, Action Scheme for the Mobility of suddenly announced at the end of a to encourage study across EEC compromise proposal had been frontiers for as many as 10 per cent tabled by the British minister - that of the estimated 6m higher educa- he was not prepared to continue. tion students by 1992.

On Friday, the proposal was with- with the exhortation of EEC heads states.

ions in Brussels. Mr Manuel Marin, the hot-tem-The so-called Erasmus pro- pered Spanish commissioner responsible for education policies, Greece, Spain and Portugal The Commission's plan, in line

dent exchange between member sion, after it became obvious that a "people's Europe," would have states of the EEC, intended to bring EEC education ministers were unspent Ecu 175m (\$183m) on travel home the relevance of the Commu- able to agree on its financing, its expenses, cost-of-living allowances nity to ordinary people, has been duration, or even the legal basis on and grants for students on ex-

It had the enthusiastic support of poorer member states such as

Action Scheme for the Mobility of Suddenly announced at the California of Scheme for the Mobility of Suddenly announced at the California of Scheme for the Mobility of Suddenly announced at the California of Scheme for the Mobility of Suddenly announced at the California of Scheme for the Mobility of Suddenly announced at the California of Scheme for the Mobility of Suddenly announced at the California of Scheme for the Mobility of Suddenly announced at the California of Scheme for the Mobility of Suddenly announced at the California of Scheme for the Mobility of Suddenly announced at the California of Scheme for the Mobility of Suddenly announced at the California of Scheme for the Mobility of Scheme for the Mobi they also wanted it reviewed after a period of time, to ensure it provided balanced mobility between member

Kremlin anti-corruption drive

SOVIET leaders have ordered a The decree appeared to signal the affected, the vital interests of citicrackdown on abuses in the coun-resumption of an anti-corruption try's police force and judiciary as campaign initiated by Mr Yuri An-

A decree from the policy-making clean up the law. central committee, published yes-terday in the Communist Party inalienable part of social reconcountry's law and order officials to Gorbachev's reform drive - the de-

ety, Reuter reports from Moscow. in 1982 at the start of a drive to

Describing the crackdown as an ly observed the law.

It instructed the president of the part of a drive by Mr Mikhail Gord-dropov, the former Soviet leader, Supreme Court, the public prosecu-achev, the Soviet leader, to root out who sacked Mr Nikolai Shcholokov, tor, the ministers of interior and corruption and reform Soviet soci- the long-serving Interior Minister, justice and the chief state arbiter to ensure that bodies under their command eliminated abuses and strict-

In addition, it said, local elected newspaper Pravda, ordered the struction - the catch-phrase for Mr bodies were to keep watch over the activities of the police and court in take immediate measures to end vi-olations of the rights of citizens. those meant to enforce the law had age of justice.

Italy may face early election Paris nears Norway gas ITALY MOVED closer towards

decision By Max Wilkinson,

expected to announce tomorrow whether it will cancel its contract for a share in the \$60bm (£42bm) purchase of gas from the giant Troll field in the North Norwegian sector of the North Sea.

Spring.

Claiming that the members of the present government were not able to agree on anything, Mr Glovanni Spadolini. Defence Minister and Republican Party leader, told the party's national council: "I declare to con that the Republican Party

guaranteed share of the con-tract work, which the Nor-wegian authorities were unwill-ing to concede. Troll is the largest gas field in Europe. The International Energy Agency in Paris has said it is of great strategic importance in helping to secure Europe's supplies well into the next century.

France's 40 per cent share in the contract, agreed with a consortium of European gas buyers, was seen as essential if the full project involving the joint development of the Troll and Sleipner fields, and a new pipeline were to go ahead.

Observers, both Mr Spadolini Mr Visentini, questioned whether there was any justification for the socialists handing over the premiership. Mr Spadolini said the CD leadership the joint development of the Troll and Sleipner fields, and a new pipeline were to go ahead.

The indications last night were that a compromise would be reached, with France agree-ing reduced purchases of gas in exchange for rather vague undertakings from Norway to increase cultural and industrial co-operation between the two nations.

The recalcitrent attitude of France has raised the possi-bility that British Gas will re-open negotiations with Norway

ITALY'S annual rate of inflation fell below 5 per cent in November for the first time in 15 years, Figures released by the government statistical institute show an annual rate institute grow an annual rate of price increases of 4.5 per cent compared to 5.1 per vait in October and 8.6 per cent in November 1983.

They suggest that the country is just about on track to meet the Government's target of an average rate for the year of 6 per cent.

list Mr Bettino Craxi next March or April.

Traditionally closer to the Christian Democrats than the Socialists. the Republican leadership bitterly accused the

CDs of ineffectiveness.

Mr Visentini questioned whether there was any justification for the Socialists hand-

IG Metall seeks hours cut

THE West German engineering industry to a standstill in 1984 union IG Metall said yesterday with a seven-week strike for a it would seek to cut the 35-hour week. Finally hours working week from 38.5 to 35 were cut by 90 minutes to 38.5 hours for the same pay in hours under an 18-month agree-talks with employers next ment that has now expired.

month, Reuter reports.

A senior IG Metall denders said the said this month the union

France has raised the possibility that British Gas will repopen negotiations with Norway as soon as it is securely floated into the private sector.

The member union would would stage warning strikes it present these demands today to negotiations failed. The union prought the said it would also demand an overtime ceiling of 10 hours and the mount in the minute into the private sector.

Democrats
The Republican broadsides
are vivid evidence of the preelectoral atmosphere now gripping Rome. The next general elections are not due until 1988. None of the government and opposition parties wast them advanced, but most are increasingly dubious that the post-Craxi government will be able to avert them.

Mr Spidolini's speech was at the same time an attempt to stake out a negotiating price for eventual Republican participation in a CD-led government and to position his party in the event of an uncontrolled crisis tagging to elections.

leading to elections.

Much of the present political unrest is due to evidence of weakness and disarray among the Christian Democrats them-

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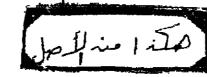


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DATE 28 JAN 1987

Argentina ready to reform the public sector

BY TIM COONE IN BUENOS AIRES

ARGENTINA is shortly to intro-incentive to persuade semi-duce public sector reforms skilled and unskilled employees duce public sector reforms aimed at improving efficiency and reducing costs in both central government and state-run

fly in the

backed as sd-by the Germany at of the

The Government has long considered the reforms as a necessary complement to its antiinflation strategy and its longterm goal of carrying out a structural reform of the economy. Partial finance for the changes is expected to come out of a World Bank structural

cover three main areas: a reduction of central government em-ployment, an overhaul of the public sector wage structure and a reorganisation of staterun companies.

Public sector employment is to be reduced by 20 per cent in the next three years. President Alfonsin insisted there would be no compulsory lay-offs. Workers accepting voluntary redundancy would receive a lump sum of Australes 3,500 (£2,071) plus a continuation of salary for between six and 12 salary for between six and 12 months, depending on length

Unification of salary scales in duced eliminating inter-minis-terial differences which have caused many labour disputes. At the same time, those at the upper end of the salary scale are to be given big increases in a move to attract and keep better-trained workers. Smaller adjustments for the lower paid will be used as an in its three years in office.

to accept voluntary redundancy.

Meanwhile, many state-run enterprises are to be put under the control of a new holding company headed by a ten-man management board to be drawn primarily from the private sector. The Public Works Minister would absorb about 290,000 employees, a turnover of \$7bn a year and "losses of several hundred million dollars per

In a television speech at the an overseeing inter-ministerial weekend. President Raul Alfoncommittee will set planning sin said the reforms would guidelines for the state. guidelines for the state sector companies, which in future will be expected to be run on more profitable lines.

Until now there has been little co-ordination between the state-run enterprises. Management in the past has been dictated more by politics than

President Alfonsin met Mr Saul Ubaldini, head of the powerful General Confederation of Workers, last Friday in an attempt to renew talks be-tween the government and unions which broke down earlier this year because of dif-ferences over the Govern-ment's economic policies.

President Alfonsin said later: "I am convinced we are going to begin a new dialogue." But he warned: "It will have some difficult facets and at times will border on conflict." The considerations has organised seven 24-hour general

Tokyo finance deal agreed as Mexican leader flies in

BY DAVID GARDNER IN MEXICO CITY

Tokyo yesterday on a state visit an increasingly visible presence sweetened by an agreement last in tourism. The \$100m Hotel Friday on \$1bn (£697m) in pro-Nikke in Mexico City is close to ject finance to be provided by completion and Japanese inter-Japan Eximbank. ests are looking at the possibility
The visit is part of a two- of a \$200m resort development

week tour of Japan and China in Baja California designed to increase Mexico's below California.

Mexico-Japan trade has total—Half is for the completion of led about \$2.5hn a year since an oil pipeline from the Atlan-1981 — about a tenth of trade tic to the Pacific with storage with the US and half the value and loading facilities at both of Mexico-EEC trade—but with ends; \$260m is for the complethe balance moving from rough equilibrium to a \$1bn surplus complex, also on the Pacific in Mexico's fayour.

Japan imports oil (about port 160,000 b/d) and silver from drive. is capital goods.

have a strong presence in sec- \$150m

PRESIDENT Miguel de la tors ranging from cars (Nissan) Madrid of Mexico arrived in to tobacco (Nisshoeyiwai), and

Japanese commercial banks the Far East and emphasise that are owed over \$11bn of this a Pacific nation.

Japan is Mexico's second the end of this year will exceed largest trading partner and \$100bn. Last Friday, Mexican foreign creditor, after the US. Treasury and Japanese Eximand third largest foreign layes for a further \$1bn in project many. Ioans for Mexico.

in Baja California, the peninsula

tion of the Sicartsa steel mill Mexico's non-oil export

Mexican trade with China has capital goods. more than doubled this year Japanese foreign investors but still amounts to less than

For over 30 years Marley have

made it easy for businessmen to

get their paws on a new Jaguar

go-ahead for Bhopal hearings

By John Elliott in New Dehii TWO YEARS after a lethal gas leak in the central Indian city of Bhopal claimed more than 22,300 lives and disabled

The Bhopal District Court wrangles have taken up most of the time since the gas

leaked on December 3 1984 from Union Carbide's pesticides plant, leaving a trail of death and injury in slum areas.

Now the two parties are to file written statements on their counter claims about

sation awards.

This led the Government first, to ask for an order

stressed that its acceptance of the \$3bn figure does not amount to an admission of lisbility

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Court gives

between 30,000 and 40,000 people, the Indian Government and Union Carbide last night cleared the way for court hearings on compensaclaims totalling \$3bn (£2.09bn) to begin next

ruled that Union Carbide could go ahead with financial restructuring it had been planning for its international operations, having received its assurance that it would maintain unencumbered assets totalling \$3bn. This is the figure that 10 days ago the Government said was the total of compensation claims it was handling collectively for about 520,000 people. Official and legal delays and

responsibility for the accident. January 12 has been set as the day when the main legal hearings will begin in Bhopal, possibly lasting for several months.

The Government is claiming against Union Carbide's international parent company in the US. But the company has responded first by saying the accident was caused by an employee's act of sabotage and then by seeking to place the blame on the central Indian Government and the state government of Madhya Pradesh, of which Bhopal is

the capital.
Financial restructuring and asset disposal plans drawn up by Union Carbide to strengthen its base in the wake of its successful defeat last January of a takeover bid from Gaf made the Indian Government suspect that the group's international assets would be run down to such an extent that it would not be able to meet compen-

blocking the company's plans and then to name \$3bn as the claims figure. Yesterday in private negotiations in front of the Bhopal court judge, Union Carbide agreed to let two valuers chosen by the judge examine its assets every three months to ensure they have not fallen below the agreed figure.

But the company has

 Sikh militants pulled passengers off a bus in Punjab yesterday and shot dead 22 Hindus, Reuter reports from Chandigarh.

Police said the attack was the largest number of deaths in a single terrorist attack in the troubled state.

CABINET BRIEFED ON TEHRAN LINKS Israeli arms salesman admits hostage role

BY ANDREW WHITLEY IN JERUSALEM

A KEY Israeli middleman in first time by the "Iran Trolka" the shipment of US-made arms -Mr Yitzhak Shamir, the to Iran has acknowledged acting as intermediary in success-Peres, Foreign Minister, and ful efforts last year to secure Mr Yitzhak Rabin, the Defence

dealer who served as an Israeli military attaché in Tehran during the 1970s, said he and others he did not name had intervened with "certain elements in Tehran." This followed a meeting in Israel with at top government official, at which he had been asked to use his good offices. As a result of their efforts,

the Rev Benjamin Weir was backed Contra rebels fighti-freed in September 1985 by his captors, the pro-Iranian funda-Israeli officials continue is not specified—but the set up to handle receipts from implication is that it came from the Iranian arms sales.

the Israeli Government. Mr Eliakim Rubinstein, the spokesmen."

The full coalition Cabinet Cabinet Secretary, said yesterwas yesterday briefed for the day he had no idea whether the voked the arms dealer into

Prime Minister, the release of an American Minister — on the country's hostage being held in Lebanon.

Col Ya'acov Nimrodi, an arms Khomeini regime. No details of

the discussions were revealed. But given the hostile public positions adopted in recent days by several senior ministers, the debate is likely to have been highly acrimonious.

Questions will have focused

in particular on the allegations

that profits from the Iranian

arms sales went to fund the USbacked Contra rebels fighting Israeli officials continue to mentalist group Islamic Jihad. flatly insist that the Govern-In a statement to Ha'aretz, ment was unaware of any dealthe Israeli daily, Mr Nimrodi ings with the Contras. Howsaid that after the release of ever, yesterday's Ha'aretz the American clergyman he quotes an unnamed senior and his associates were government official as blaming requested to stop handling the Israeli middlemen for "meddissue. Who made this request ing" in the Swiss bank account



accused of espionage and treason for telling a British newspaper Israel was pro-ducing atomic weapons, appeared in public yesterday for the first time in two months, Reuter reports from Mr Vanunu, 31, appeared under heavy guard at Jeru-salem district court for a

FORMER nuclear technician Mr Mordechai Vanunu (left),

closed-door hearing to re-mand him in custody until the end of his trial. The court put off the hearing after his lawyer, Mr Amnon Zichroni, demanded the proceedings take place in public. No new date was set.

Nimrodi statement was accurate or not. He repeated that everything Israel had done had been in accordance with requests from the US Government "through authorised

breaking his silence is a combination of the US Justice Department's investigations into the handling of the Iranian arms transactions and, in Jerusalem, continued stone-walling by the Israeli Govern-

Mr Nimrodi and another pro-

minent Israeli businessman being linked to the arms affair, Mr Al Schwimmer, are understood to be pressing for an official clarification from Jeru-salem on their claim that their part in the transactions ended soon after Mr Peres became Prime Minister in September

Liaison between the Peres Government and the White House over the arms subterfuge is believed to have subsequently been handled in Jeru-salem by Mr Amiram Nir, who held the shadowy post of counter-terrorism adviser to the Prime Minister.

Mr Nir has retained h's post under Mr Shamir, who took wer the coalition Government in October, but his departure ma not be long coming.

Even before the Iranian arms scandal broke in the US, Mr Shamir is known to have wanted to replace Mr Nir with a Likud sympathiser, Mr Benja-min Netanyahu, currently serving as Israel's Ambassador to the UN, in a beefed-up terro-rism department within the Prime Minister's Office.

S Africa trust aims to tackle black housing backlog

BY ANTHONY ROBINSON IN JOHANNESBURG

African government abolished Sanlam, the largest Afrikaaner influx control and opted for a insurance and industrial group. policy of "orderly urbanisa-tion," a new housing trust has been created in which govern-ment and private business will rand nominal shares with provide up to R1.2bn to finance

The new trust, called the issue loan stock through the South African Housing Trust Johannesburg Stock Exchange. Limited, will be chaired by Dr The scrip will be given

SIX MONTHS after the South Fred Du Plessis, chairman of take up 1,000 of the 10,000 one-rand nominal shares with private companies subscribing to the cemainder. The trust will

"prescribed status," thus quali-fying for inclusion in the obligatory deposits required from banks and financial institutions and will be market-related. Both interest and capital repayment will be guaranteed by the state. The intention is to raise at least R800m over the next three

years, The aim of the trust is to

finance a largely self-build housing programme for lowincome houses for all groups, although the bulk of funds is expected to be allocated to blacks who only this year have been granted free-Training has trained more than year have been granted free-hold property rights. By conservative estimates, basic building s the existing backlog in black past 18 months.

housing, after decades of governmental refusal to build by granting bridging loans

South Africa, is at least 600,000

74,000 unemployed workers in basic building skills over the The trust is expected to begin

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OVERSEAS NEWS

Angela Dixon on some unexpected turns during one of the Arab world's largest international events

Opposition figure fails in bid to reach Taipei

A LEADING Opposition figure failed in his attempt to return to Taiwan yesterday after the airline on which he had booked his flight refused to

allow him to board.

Mr Hsu Hsin-liang, an outspoked critic of the Taiwan Government, has spent the past several years in the US after being convicted in absentia of treson. sentia of treason.

The Government has

charged Mr Hsu, a former elected official, with dereliction of duty after a riot sparked by allegation of election fraud on the part of Nationalist Government officials cials erupted in his con-

cials crupted in his con-stituency in 1977.

Mr Hsu is seeking to return to Taiwan during the run-up to December 6 elections for supplementary seats in Parlia-ment and the National Assembly,

Many, both within the ruling Nationalist Party and the newly formed quasi-legal.

Democratic Progress Party.

Democratic Progress Party, feared that Mr Hsu's presence during the campaigning and elections might destabilise the

Should he land in Talwan, Government would have no choice but to arrest him or deny him entry. Those options could easily spark demonstra-

Police close off central Seoul

By A Special Correspondent

MORE THAN 79,086 rlot police closed off central Scoul at the weekend to suppress a demonstration called to support concalled to support con-stitutional change in South

The demonstration had been called by the country's main opposition group, the New Korea Democratic Party (NKDP), to press for the direct election of the president, and to regain the political initiative as a strong challenger to the Gov-

But the government of President Chun Doo Hwan went to extraordinary lengths to see that few, if any, could

attend the rally.

Taxi drivers were told not to take young people to central Seoul; underground, stations in the vicinity of the proposed demonstration site. schoolground — were closed; and, tear gas was liberally used to break-up groups near the school. Opposition political leaders

attending the demonstration. South Korea's best-known dissidents, Mr Kim Dae Jung and Mr Kim Young Sam, were beld under house were held under house arrest, while the NKDP's president, Mr Lee Min Woo, and a group of opposition MPs were not permitted to party's head-

quarters. The government had warned last week that it would not permit the demonstration to take place. It said that radical and Communist elements would create violence, and it promised tough action. Nearly 2,000 people who tried to attend the rally were detained.

Western diplomats in Seoul said yesterday it was not the government's action which was of greatest concern to them, but that its repercus-

Though we failed to hold

government has been able to use to discredit it with South Korea's growing and conservative middle class.

Dubai in dramatic leap on to the world chess stage

HUGE plywood chess pieces line the streets. Almost over-night, it seemed, Dubai's largest roundabout aprouted a land-scape of nills and valleys, covered wih instant lawns and

The event is the 27th Chess Olympiad—possibly the largest sporting occasion, with over 1,000 participants, to be staged in the Arab world. It was also the venue for the election of the next president of the Inter-national Chess Federation.

Dubai is no stranger to international sporting events the annual horse show attracts top riders from all over the world and it has welcomed the olympiad with open arms, filling the huge hangar-like halls of the trade centre with chess tables and laying on thrice daily television broadcasts, plus a round-up of the outstanding games every evening

a round-up of the outstanding games every evening.

In return, the tournament has supplied an abundant crop of drama and surprise, including the unusual spectacle of the Soviet team not only drawing in its matches against Yugoslavia and England, but even losing some games. This was in spite of its heavyweight team, which includes world champion Kasparov and the three other top-ranking Soviet players, Kanpov, Sokolov and Yusupov.

Another surprise was the unexpected victory of the Spanish over the English team. England had succeeded against all the other strong contenders, and had gained a clear lead by the



Further drama ensued when the England team lodged a for-mal complaint against the Spanish team's Russian coach, on the grounds that he had advised a member of the team on a move after a draw had been offered by the English opponent.
With only one day to go, the

England team are still among the first three, with the US and

ever, the Soviets have not had walkover at this Olympiad.

The organisers have managed this large-scale event with great success and the opening ceremony in particular was a brilliantly staged occasion with spectacular fire works and a chess game played with live chess pieces. There have, however, been criticisms.

There were some red faces when the powerful and re-spected Shaikh Mohammed bin-Rashid al-Maktoum, best known in Britain perhaps as an enthusiastic and knowledgeable race-horse owner, publicly carpeted the organisers. Some of these, he claimed were seeking publicity for themselves without regard to the interests of the UAE in general and Dubai in

The UAE has some very strong chess players. These include a young Junior World Champion from Dubai, Masr Ahmed Saeed, and his brother, Saeed Ahmed Saeed, who unaccountably failed to be included in the UAE team. The team did not come anywhere near the top in the tournament results. The Shaikh had some words to say on that subject,

Criticism from other quarters came mainly from the hotel industry, which was taken aback at the low rates imposed by the year usually accounted

Dubai is no stranger to international events and it has welcomed the Olympiad with open arms. In return, the tournament has provided an abundant

crop of drama and among the busiest for hotels in

One or two hotels said they were glad to make their contri-bution to the event. Some, however were not used by the visiting chess teams.

If the outcome of the Olympiad was still unclear right up to the last moment, the result of the International Chess Federation (FIDE) presidential election has been no cliffhanger. The Brazilian candidate, Lin-coln Lucena, unexpectedly stepped down at the last moment in favour of his rival the sitting candidate Florencio Campomanes, in spite of the vigorous lobbying throughout the fortnight by Lucena's sup-

The fact that Dubai has been industry, which was taken aback the setting for the Chess Conat the low rates imposed by the gress has been helpful to Mr government for room-mates Campomanes' strong candidacy, chargeable to the chess teams Dubai openly declared its supand delegates. This is at a time port "for," at the outset of the

world delegations was another factor in his favour. Many of these might not have been here but for the generosity of the Dubai Government, which donated airline tickets to an estimated value of \$100m (£71m). Most of them were considered likely to give Campomanes their vote.

The ban on Israel participation also gave a boost to Cam-pomanes' hopes, since Israel might have been expected to vote against him, while the con-sequent protest withdrawal from the event of the Scandinavian teams and others can have only further strengthened

Although Gary Kasparov openly opposed his re-election, the official Soviet stand was in favour of the Filipino.

One further contest, however, was a limited to the state which

remains. This is the vote which FIDE is expected to take on future policy regarding the exclusion of teams on political grounds. If the vote endorses this policy, it will mean that Israel, among others, may be banned from future Olympiads. Whatever their feelings on Whatever their feelings on individual countries' politics may be, a number of nations, notably the US, would be unhappy at the application of the principle of exclusion on political grounds. The outcome of the principle of the principle of the principle of exclusion on political grounds. the vote on this motion, there-fore, could seriously affect the future of international chess and its result is awaited with

This follows a 86 per cent increase in the deficit during the whole of 1985-86 which caused considerable concern about the country's balance of payments problems in the next few years. But exports have recovered and rose during the first six months this year to Rs 58.57bn, nearly 17 per cent above Rs 50.17bn in the same period

New Delhi

down 18%

By John Elliott in New Delh

INDIA'S trade deficit fell by 18 per cent to Rs 33.81bn (£1.9bn) in the first six months

of the current financial year to

the end of September, compared with the same period last year.

trade

deficit

last year. Imports rose by only about 1 per cent to Rs 92.39bn from Rs 91.41bn. During the past few months, the Government has introduced a range of export incentives which the Ministry of Commerce

claims are producing results.

BMW of West Germany has become the latest foreign motor manufacturer to sign a production collaboration with an Indian company. Its partner is Bharat Gears of New Delhi, one of the Raunaq Singh family

They are waiting for the Government to announce a new motor production policy which will determine whether or not

SHIPPING REPORT Sharp fall in merchant tonnage By Kevin Brown, THE SIZE of the world mer-chant fleet fell by 11.4m gross

tons in the year to June 30-nearly three times the previous

dent London-based ship classi-fication society, said the fall amounted to 2.7 per cent of gross tonnage, reducing the fleet from 416.3m tons to 404.9m

The world fleet has now fallen by 4.6 per cent since 1982, when total tonnage began to decline for the first time since the early 1930s. The pre-vious biggest fall was 3.9m tons in 1984.

The figures reflect the deep recession in the shipping in-dustry, which has led to a sharp tall in orders for new vessels and an increase in scrapping. In a separate series of figures based on calendar-year returns Lloyd's Register said the num-

ber of ships launched in 1985 was 1,817 totalling 17.2m gross tons, compared with 1,962 launches totalling 17.7m gross tons in 1984. The number of ships sunk fell from 327, totalling 1.7m gross tons, to 307, totalling just under Im gross tons. The total ton-nage broken up increased, how-ever, from 17.7m gross tons to

22.2m gross tons. Lloyd's Register said the biggest falls in gross tonnage by national fleet were Norway (6m tons), Liberia (5.5m tons), UK (2.8m tons), and Greece (2.5m tons).

Liberia retained its position as the world's largest fleet with 52.6m tons, followed by Panama with 41.3m tons. The UK remained in eighth position with 11.5m tons.

 Brokers reported an ex-tremely busy week in the tanker market, despite continued attacks on merchant shipping in the Gulf by Iran and Iraq, notably at Larak Island.

Turkish airline may be split into 4 groups

By David Barchard in Ankara

TURKEY'S national airline THY, may have to be split into four separate companies according to government officials.

THY was the first public corporation to be selected for privatisation by the Turkish government, nearly 18 months

ago.

Under the scheme, which is expected to go before the cabinet shortly, THY would be divided into: (1) a passenger carrier retaining the present name; (2) a cargo charter com-pany to be called Anatolian Airways, of which THY would be a part-owner; (3) a ground equipment company; and (4) a





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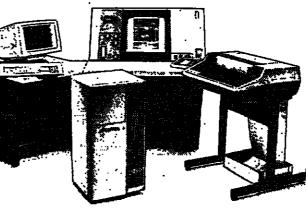
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OFFICE EFFICIENCY IN A NEW LIGHT.

them, but that its repercussions could lead to an even greater polarisation of political opinion than already exists in South Korea. This in turn, they said, could lead to a growth in civil unrest. During the spring, the opposition successfully held railies in provincial capitals to win the right for South Koreans to sign a petition supporting constitutional change. It had hoped that the latest demonstration would be a turning point in this campaign.

"Though we failed to hold the rally, we will hold one in the near future," Mr Hong Sa Duk, the NKDP's spokesman said: "It would be ridiculous if the government insists on claiming victory."

But Mr Hong's words disguise divisions within the NKDP and the fact that its image has been undermined by a series of incidents during the autumn which the government has been able to

World Economic Indicators RETAIL PRICES

(1980 = 100)

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N. Germany	163.20	162.90	162.38	159.20	+2.1
rance	203.50	202.30	201.70	194.30	+4.7
taly	123.10	122.40	121.80	123.20	-0.1
letherlands		142.83	142.33	141.47	+0.5
ielgium	147,29	147.06	146.34	143.00	+3.0
JK ·	135.30	115.30	114.80	175.80	-0.4
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ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 28th November 1986, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£200 million 101 per cent TREASURY CONVERTIBLE STOCK, 1992 9 per cent CONVERSION STOCK, 2000 82 per cent TREASURY LOAN, 2007

The price paid by the Bank on Issue was in each case the middle market price of the relevant Stock at 3.30 p.m. on 28th November 1885 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 28th November 1985, and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:

£100 million 93 per cent EXCHEQUER STOCK, 1998 £100 million 93 per cent TREASURY STOCK, 2002

In each case, the amount issued on 28th November 1986 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions applicable to that Stock, and subject elso to the provision comained in the final paragraph of this notice; the current provisions for Capitol Gains Tax are described below. Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 10½ per cent Treasury Convertible Stock, 1982 dated 10th August 1984, 9 per cent Treasury Convertible Stock, 1980 dated 6th March 1973 (which contained the terms of issue of 9 per cent Conversion Stock, 2000) and 82 per cent Treasury Loan, 2007 dated 11th July 1986 may be obtained at the Bank of England, New Issues, Walking Street London ECAM 8AA. The Streets are repeatable at the 22d interest.

Stock	Redemption date	interest payment dates
10½ per cent Treasury Convertible Stock, 1992	7th May 1992	7th May 7th November
9 per cent Conversion Stock, 2000	3rd March 2000	3rd March 3rd September
B) per cent Treasury Loan, 2007	16th July 2007	16th January 16th July

The further tranches of 10½ per cent Treesury Conventible Stock, 1992 and 9 per cent Conversion Stock, 2000 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. The further tranche of 8½ per cent Treasury Loan, 2007 will rank for the interest payment of 2.3.7198 per cent to be made on 15th January 1987, Official dealings in the Stocks on The Stock Exchange are expected to commence on Monday, 1st December 1988.

104 per cent Treasury Convertible Stock, 1992 and 9 per cent Conversion Stock, 2000 are specified, and 84 per cent Treasury Loan, 2007 will be specified, under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as git-edged securities (under currant legislation exempts from tax on capital gains, irrespective of the period for which the Stock is held).

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the Interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servents or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set seide nor give rise to any claim for compensation. BANK OF ENGLAND

28th November 1986

Oil price collapse 'cut energy bills by quarter'

sharp drop in prices.

which had defected to oil.

THE COLLAPSE of oil prices this year has cut British industry's energy bills by about a quarter, accord-ing to the latest official figures published at the weekend.

The saving which could amount o almost £2ba in a full year, is likely to show up in improved profits and will help to increase the Government's tax revenues next year. when the exchequer will be suffering the full effect of the recent re-laxation of public spending con-

The latest edition of the Government's Energy Trends shows that the major saving for industry has been in the costs of heavy fuel oil which fell by 56 per cent in the second quarter of this year compared with the same period in 1985.

Gas costs fell by only 8 per cent and coal by only 2 per cent, whereas electricity prices rose by 2 per cent

In the early part of the year, than in some other European counmany companies with dual-fired in-tries. many companies with dual-fired in-dustrial boilers switched from burn-

Trichem the consultant which ing gas to take advantage of the monitors energy prices across Europe, says that heavy fuel oil prices More recently, however, British Gas has been forced to lower its fell by about the same amount in Germany as in the UK in the sec-ond quarter of the year compared prices in the industrial market to with a year earlier, but gas prices try to recapture those customers for industrial consumers fell by 15 At the time of the Autumn Stateper cent, about twice as much as in the UK. ment earlier this month, Mr Nigel

Lawson, the Chancellor of the Ex-chequer, said that the decision to Energy Trends shows that in spite of the collapse in oil prices, Britain increased its own producadd £4.7bu to public spending Britain increased its own p would be offset partly by higher tax receipts from industry and from 30.9m tonnes (225m barrels). tion of crude oil, by 5,1 per cent to

In the same quarter electricity sales rose 1.1 per cent. However, while coal and oll-fired stations produced 2.6 per cent more electricity, output from nuclear plants fell 2.1

indication of the size of the benefit from lower fuel prices in industry alone. In the whole of the economy, per cent.
Energy Trends November 1986,
Department of Energy, Millbank, The fall in energy prices in the UK this year has been less rapid London SW1.

Exchange will try to ease strain of electronic trading system

the benefit will be much wider.

The latest Energy Trends give an

BY ALAN CANE

derpins London's reformed securi- prepared to make large deals using

The task force plans to "time" the Topic viewdata service, which collored set up by Mr George Hayter, lansed on the first day of Big Bang head of information systems at the lapsed on the first day of Big Bang last month, and speed up the supply of computer terminals. However, in spite of the prob-

lems, market-markers and brokerdealers appear to be quickly adapting to the new trading methods.

Firms have vacated the old stock such high levels of demand "is still

THE stock exchange has set up a exchange floor, where dealing was task force to ease the strain on its carried out face-to-face, much soon-electronic trading system which uner than was expected, and many are the electronic information.

One of the first jobs of the task

exchange, is to cut out bottlenecks in the overstretched Topic system, which reaches operating peaks each day of almost 10 per cent of its

though tightening the system's de-sign and improving programming quality should cut peak-loading by

The backlog of several hundred orders for terminals is expected to take longer to sort out, and the exchange is unable to give delivery dates. Mr Hayter hopes the prob-lem will be resolved by March or April next year, but this depends on capacity.

the production of new hardware
Mr Hayter says that operating at
and software by Modcomp, the US

Chinese welcome building society

?T IS pure chance that "Halifa" means "your prosperity" in one of China's many dialocts. However, nothing else was being left to chance at yesterday's opening of the first multilingual Chinese building society - a Halifax Building Society agency in Lon-

don's Chinatown.

The proceedings began with a feroclous golden-scaled dragen swallowing a cathage — a traditional Chinese good luck ritual — and ended with everybody drinking "prosperity-punch."

In the middle, the assembled company had the good fertuse to be treated to no less than two specches from Mr John Heddle, the MP for widd-Smillorishire.

and one of the vice-presidents of the Building Societies Associa-

In the first speech, in Mandar-in, he said: "Long live John Man (the manager of the new Halifax branch); long live the Halifax Building Society; long live Chi-

In the second speech, in Can-tonese, he said helping Chinese people buy a house in England was an excellent way of improv-ing international relations.

Mr Hoddle also said it was im-

portant that other building socie-cies learn from the Halifax's ex-ample and open bilingual branches. It would then be easier for ethnic minorities to become

homeowners.

Apart from being bilingual, the new Halifax is distinguished from other haliding societies in two ways: it is open on Sundays and it shares its premises with a Chinese destist, a solicitor, an accountant and an insurance

Britain to decide on joining European * mini space shuttle

today whether it is to back the in-itial design phase of a joint European plan to build Hermes, a mini space shuttle proposed by France that promises to carry people and materials to and from orbit.

While France and West Germany have already declared their support for the scheme, organized by the 11-nation European Space Agency (ESA), Britain has left a decision to the last moment. The deadline for informing the agency about partici-pation in the design phase was last

The decision is politically sensitive because not joining in the design of Hermes - a £35m project which will take until next summer, after which the European countries will have to decide formally whether to go ahead and build the vehicle - would send a signal to Britain's European partners that the country has doubts about the di-rection of European space policy.

UK ministers were due to decide at the weekend on whether to back Hermes, It had been expected that Britain would opt for a fairly small share of the design programme, patting up shout 6 per cent of the cash, compared with the 45 per cant proposed by France and 30 per cent which is West Germany's likely con-

Although Hermes, a small reus-able vehicle that would enter orbit on top of an Ariane rocket, is still is such that full-scale development

is regarded as a certainty,

Space Centre think that the Hermes project has merit, but they lear that it might put too much pressure on ESA's annual budget. which is running at about £800m a year and is due to rise to some C1.2bn by 1990. Early plans for Hermes out its

Officials in the British National

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Dell charman and a service ser

development custs at about £1.5bn. But UK officials fear the costs could double by the time development is finished in the mid-1990s.

Another reason for Britain's delay over the Hermes decision is that officials think funding of the vehi-cle could hold up plans to start, under the ESA suspices, a UK-in-spired project to build Hotol, a radi-

cally new space launcher. Unlike Hermes, which would require a conventional rocket to take it into space, Hotel, which is short for horizontal take off and landing. promises to leave the earth from a runway, so reducing the cost of go-

ing into space. Mr Geothey Pattie, the Minister of State for Industry and Informa-tion Technology, whose responsibilities include space technology, has argued that rather than develop Hermes, a betier option for Europe might be to jump straight to the development of Hotol. The latter, the design of which is still at an early stage, could be flying by early next century and cost £4bn to £5bn to de-

velop.

The UK proposal that Hermes could be sidestepped in favour of only at the design phase, backing Hotel has been disdamfully re-for the project from other countries ceived in France. Mr Frederic d'Allest, director general of the French regarded as a certainty.

Should Britain express doubts called the proposal "idealistic" and about the project now, the country said it would be dangerous to pro-would be unlikely to take much of a stake in constructing the vehicle. out building Hermes first.

Balance of payments warning

BY MICHAEL PROWSE

trols, import controls or tax-induced repartiation of overseas financial assets later in this decade, says Greenwell Montague the UK securities house, in a gloomy assessment of balance of payments trends.

Such extreme measures, how-

BRITAIN might need to consider capital inflows to offset sizeable payments balance. current account delicits and a

This, they argue, will be difficult.

strong underlying demand by UK. The abolition of exchange controls residents for foreign assets. The report's authors, Mr Bobert all outflow of capital as investors Thomas and Mr Ray Richardson, in sought to diversify their portfolios. common with many other forecast- Instead there has been a strong and ers, argue that the UK's current ac- continuing outflow of capital on count is likely to move into deficit both the portfolio and direct investsuch extreme measures, now country in 1887 for the first time since 1878. The total outflow in 1887 for the first time since 1878. The total outflow in ed only if a combination of higher it will then be necessary for Britain 1385 was 55.5hn, compared with an interest rates and a lower exchange to earn a surplus on its capital account, in order that the balance of of £5.6hn.

Plans for export guarantee insurance

By Peter Montagnon

THE Government's Export Credits Guarantee Department is consider ung several new types of insurance schemes for exporters that will help it to compete with the alternative

it to compete with the alternative private sector insurance market.

The schemes are still only at an outline consideration stage, but if adopted they could belp stem the decline in ECGD's shere of the British export insurance market as well as facilitate exports to developing

ECGD confirmed at the weekend that a number of schemes were under consideration by a new product development team set up earlier in the year, "We are now looking very seriously at the way in which we meet the needs of our customers," it

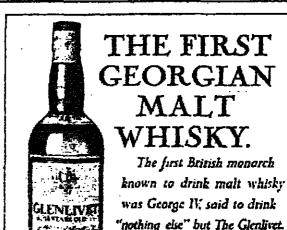
Bankers involved in export finance say that three main ideas are now being examined. They are:

An insurance scheme for bank letters of credit which would op-erate in cases where lending banks have already filled their internal leading limits for a particular coun-try or firm. This would allow loans in support of British exports to contime, although ways would have to be found for ECGD and the lending bank to share the risk.

• A scheme that would allow ECGD to continue cover for established importers in countries where it was withdrawing iresh cover. This "commitment cover" would mean that trade with long-standing customers of UK exporters would continue to be covered in such car cumstances although no new customers would be covered.

A scheme that would allow ex-porters to borrow funds to finance sales abroad without having to set aside reserves in their balance sheet against losses arising from default by the customer who bought them.

ECGD's finances have suffered in recent years under the impact of the developing country debt crisis, resulting in pressure from the Gov-erament to make its operation more commercially-orientated. But as the traditional project lending markets in the developing werld have dried up it has also suffered a fall in butiness which the new mea-sures would seek to correct.



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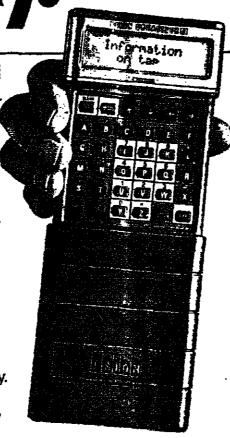
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UK NEWS

Channel 4 considers going it alone

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By Raymond Snoddy

CHANNEL FOUR is expected to keep open the option of indepen-dence from Independent Television (ITV) when it decides its future structure next month.

Only two board members, Mr Edmund Dell, chairman, and Lord Blake, are unequivocally supporting a declaration now that the channel should eventually sell its own air time rather than receive a percentage of total ITV advertising

But support is growing to keep open the independence option - recommended by the Peacock committee on the financing of British broadcasting - in case the broadcasting environment changes dra-

The Independent Broadcasting Authority (IBA) earlier this year asked Channel 4, its wholly owned subsidiary, to reject the Peacock op-

Instead the channel asked Professor Alan Budd of the London Business School to study the financial viability of independence. The board now faces two conflicting views of its future, one from Prof. Budd and a second, more pessimistic, from Coopers and Lybrand, its

Prof Budd believes that national advertising revenue will show real growth of 5 per cent a year and that Channel 4 could increase its advertising rates by selling its own air

By 1997, Prof Budd believes, Channel 4 could have an annual surplus of £32m on revenue of £286m. Coopers sees 3 per cent real growth in advertising and warns that the channel could have a deficit of £9m on revenue of £206m in the same year. The report is to be published on Wednesday.

Prof Budd is critical of the selling methods of the ITV companies and says that at present "there may seem little point in rushing around with a vigorous sales effort when the extra revenue is so highly

At present Channel 4 gets 10.9 equator will begin broadcasting per cent of total net advertising three channels of television direct revenue. Prof Budd believes that it to dish aerials half a metre in dicould prosper as an independent on the special process of the applicants pay a monthly one of the applicants pay a monthly of the special process could prosper as an independent organisation if it captured 14.5 per cent of net advertising revenue.

Coopers warns that independence would increase Channel 4's risks if the economic climate took a downturn. It also says the Budd 'study understates the likely size of the IBA transmittal rental and takes no account of who will pay for the Welsh fourth channel which at present costs £31.9m and has reve-

The auditors say Prof Budd also took no account of the cost of capi-tal needs totalling £125m which would produce a revenue cost of

Raymond Snoddy reports on direct broadcasting by satellite

DBS poised for lift-off

DR JOHN FORREST, the recently appointed director of engineering at BSB: Amstrad Consumar Electronics, the Independent Broadcasting An-thority (IBA), has a clear vision of Pearson (publisher of the Financial

"It is one of the most exciting and advanced projects in satellite broadcasting history," he says. And after spending two full days last week helping to interview the Electronic Rentals, Ferranti, Reed Infive consortia applying for the franchise to run three new channels of national television, he believes there is the expertise and resources to make it work...

The whole British electronics industry has been waiting for a green light and a clear decision on the way ahead. On that basis the industry can respond," said Dr Forrest, ern cable television networks. former technical director of GEC-

The IBA has also been emphysising the opportunity DBS offers to
move to larger television screens
with higher definition pictures.

In the mount which the BBC decided it was too risky to

The public is looking for something GEC and British Aerospace for new from television and that new work allegedly carried out before aspect is large screens and stereo," the project was aborted.

This time round, commercial or-

"Potentially there is a tremen-

dous opportunity for UK industry there." he says. talking and disappointment the will only be the beginning of an ex-IBA is likely to give the "green light" to British DBS later this week by awarding the franchise for

the world's first wholly private sector DBS project. The French and West German DBS satellites, expected to be launched within a year, have received large government subsidies and at present do not to use sophis-ticated technical standards which

In Britain, if all goes according to plan, sometime in 1990 a high-pow-er satellite 36,000km above the DBS CONSORTIA

the importance of Britain's direct Times) and Virgin Group. broadcasting by satellite (DBS) prolumbia Pictures International, Dixons, Hambros Bank, London Weekend Television, Robert Fleming and Seatchi and SRI - British and Commonwealth Shin-

ping. Cambridge Electronic Industries, and Mr John Jackson, the consortium NBS: Bell Group and Mr James Lee. SatUK: Bond Corporation, Lonrho, Tril-lion, Celtic Films and Mr Jimmy Hartley,

media consultant. ameter on individual homes and to those allaready hooked up to mod-

Ironically the decision will come in the month when the BBC should I think the whole situation is go go ahead, failed to sign the final ing to get highly competitive with agreement to build the satellites more and more channels to watch. and is now being sued for £57m by

From the beginning the DBS pic- ganisations such as Lourho, News ture is likely to be better quality International, Virgin, Robert than existing broadcasting. And Dr Holmes a Court's Bell Group and Forrest foresees the possibility of Merchant bankers Robert Fleming introducing progressively larger are all vying for the right to invest screens and sharper pictures in an in a project some believe could reevolutionary way every few years. quire as much as £700m for 15

The only thing that is certain is that when the winner of the fran-After more than five years of chise is announced this month that traordinarily complex project which comes with no guarantee of success. At least three very different problems will have to be solved if DBS is going to be anything other than a licence to lose money on an

reliable service.

could lead to higher definition pictime and at a price the consumer will be prepared to buy or rent.

of high enough quality to persuade

subscription to supplement advertising funded programmes.

The present chaos in the international space launching business caused by the US Shuttle disaster and the faults in the European Ariane launch rocket may have eased by the time Britain's DBS satellites are ready to go.

This week the European Space Agency is expected to confirm findings that the problems of the Ariane rocket have been caused by a flaw in a single component and that flights will resume in the spring. The electronics industry is confident it can provide the receiving equipment on time.

We have absolutely no doubt about it. We have constantly criticised the broadcasters and the authorities for being so lethargic," says Mr Douglas Topping, technical director of Thorn EMI Ferguson.

Mr Richard King, managing director of Cambridge Electronic Industries, a member of the DBL consortium also says he has no doubt that the technology is there. He be-lieves the receiving equipment will start at around £500 and that the usual rule of thumb of consumer electronics should apply - a 25 per cent price fall each time volume

All the applicants have come up with what they claim are unique and exciting programme schedul In fact most plan permutations of entertainment, films and news and live events. The money available to spend on programmes will be substantially less than normal broadcast television. Independent Television's total revenue, for example. this year will be about £1.2bn. Yet some applicants are planning to spend less than £50m a year on programmes for three new channels.

Mr Patrick Whitten, managing director of CIT Research, leading new media consultants, worries about the franchise winner. Mr Whitten • The DBS satellites will have to has a track record of taking a "realbe successfully launched and give a istic" view of the speed with which cable and satellite services will de-The receiving equipment on the ground will have to be available in proved wrong.

For the DBS project to be viable in the longer term, he believes it • The programmes will have to be will need to attract 10 per cent of homes, 2m, within five years giving

Sales warning after oil pipeline leak

BY STEFAN WAGSTYL

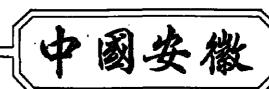
OCCIDENTAL PETROLEUM has oilfields in the North Sea. ing a leak in an undersea pipeline. loaded at Flotta from stocks.

Islands in northern Scotland follow- Tankers were currently being barrel.

the news brought some pnease to issued a warning that it might be Occidental said yesterday it was the oil market where the price of forced to suspend sales of oil from too early to say if shipments would Brent crude, the benchmark grade, its Flotta terminal near the Orkney be interrupted or for how long. rose by about 20 cents to \$14.70 a

The leak, which caused a large oil The company said it had declared The force majeure announcement slick which is now being dispersed "force majeure" on contracts as a was necessary for legal reasons, has been traced to a cracked weld precautionary measure while said the company.

at the point where the Claymore engineers prepared to repair the The three fields together produce pipe is connected to the main pipe-leak which has led to the shutdown about 300,000 barrels a day – about line between Piper and Flotia. The of the Piper, Claymore and Tartan one tenth of UK output. On Friday, pipes are 380 feet below the surface.



The Booming Anhui Textile Exports

Anhul Branch of China National Textiles I/E Corporation, as a state-operated enterprise with legal entity status. Is the sole specialized corporation to deal in the import and export of textiles in the province. We have seven business management divisions specialising in raw material, gauze, artificial libres, knits, cotton knits, garments and development and seven other divisions involved in various

Our main products fall in some 50 categories including cotton, cotton yarn, cotton piece-goods, printed shirting, ramie yarn, ramie piece-goods, cotton manufactured goods, synthetic fibres, cotton knitwear, wollen knitwear and garments.



Apart from the superb quality of our products and services, our success in establishing a worldwide reputation and maintaining a substantial annual sales increase are also attributable to various other unique factors:

1. Annui province, situated in the lower reaches of the Yangtze River in southeast China, is endowed with fertile soil, mild climate and abundant rainfall, which provide the ideal conditions

2. Our textile industry has a complete range of spectrum, including cotton textile, hemp textile, wool textile, silk reeling. printing and dyeing, yam-dyed fabrics, knitting and chemical ibre. There are about 250 textile mills which have more than 800,000 spindles and nearly 30,000 looms in operation. About 100 mills are engaged in production for export.

3. The sea, land and air transportation network is well developed. conveniently crisscrossing the entire province.

Under the policy of "opening to the outside world and invigorating economy at home" the past five years have witnessed a export volume in 1984 quadrupled that of 1981; with 44.5% growth on the average annually.

At present, we have established business relations with more than 300 companies in the world. Business talks with traders from all over the world are most welcome. Co-operation can be in the forms of processing of supplied or imported materials, comp tion trade, agency or Joint venture.

China National Textiles I/E Corp., Anhui Branch Import and Export Building, Jinzhai Road, Hefei, China Tel: 60870 Cable: 0756 Hefei Telex: 90015 AHTC CN

Anhui Native Produce

China National Native Produce and Animal By-products I/E Corp. was the first corporation ever to deal in the export of native produce and animal by-products in China. In 1984, Anhui Native

Produce Branch was set up.

Before 1977, we relied on I/E corporations such as in Shanghai and Tianjin to export our native produce. Ever since 1985, we handle our own export business.

Strategically located on the lower reaches of the Yangtze and Huai River, Anhui Province is endowed with excellent transportation links, both land and sea, with the rest of the world. Land transportation routes stretch all the way to Hong Kong and Europe, while sea transportation can be routed to different parts of the world through Withu, our own port, and various other adjoining coastal ports such

as Shanghai, Nanjing, Nantong and Lianyungang.

Over the years, our foreign trade has made great strides. Statistics for 1985 registered a staggering 6-fold increase of that of 1981. We have forged trade links with some 40 countries and areas.

Our products consist of more than 200 items in 8 major categories which include jute and jute products, native produce, potted plants, timber and timber products, feedstuffs, preserved fruits, spices and oil, industrial raw materials.

With a long history of growing peppermint, Anhui Province ranks among China's major peppermint producers. Our refined menthol crystals and peppermint oil, which are refreshingly fragrant, stimulating and germicidal, are in great demand in world market. The products are widely used in tobacco, pharmaceutical, food and chemical industries

Anhui Province plays a major role in the production of spearmint in China. Light-yellow in colour and with a pleasing fragrance, it comes in an immense range of specifications to cater for the client's differing needs. Major buyers are from the U.S.A., the U.K., the Netherlands and Japan. Citric Acid

It is widely used by food and beverage manufacturers, in pharsaceutical, chemical and other industries. Our citric acid is made from choice sweet potatoes by means of an advanced fermentation process. Noted for its consistent quality, it sells very well in Europe, Japan, the Middle East and Southeast Asia.

Kenaf, the raw material for production of gunnysacks, is a major export commodity of China produced in our province.

Anhui-produced gunnysacks are of superb quality and available in full specifications. Shipment time is duly guaranteed. In terms of export volume, Anhui is China's second largest gunnysack exporter. They are marketed to Western Europe, Africa, Southeast Asia and the Middle East. • Dehydrated vegetables

It contains the similar color, fragrance and taste with fresh vegetables. Major items include: garlic slices, red and yellow onion slices, ginger slices, carrot cubes, green string beans, whole and sliced.

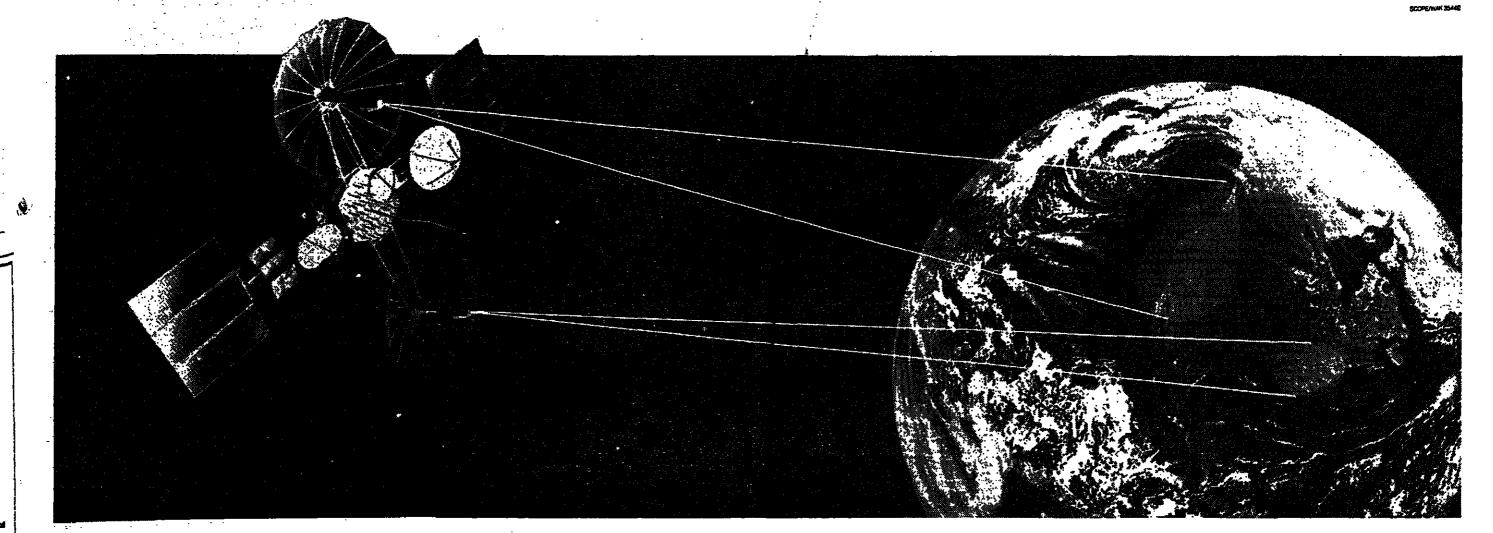
Anhui is noted for both the volume and variety of its fine honey. The varieties for export include milkvetch, acacia, and white honey. In recent years, new products have been developed and are added to the range. Arrangements can be made to manufacture to clients' Feedswiffs

Major products include sweet potato slices, rapeseed, cottonseed expeller, wheat bran, rice bran and green fodder, with major buyers in Europe and Southeast Asia.



China National Native Produce and Animal By-products I/E Corp., Anhui Native Produce Branch

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UK NEWS

Importer of Japanese vehicles in receivership

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

which imports Isuzu vehicles from Japan has been placed in the hands of a receiver by its bankers, London

The receiver, Mr Bill Ratford of accountants Peat, Marwick Mitchell, said the deficiency was likely to run into many millions.

He suggested that Isuzu Cars (Great Britain) was a victim of the 25 per cent rise in the value of the Japanese yen in the past year. The company had also been too optimistic when setting sales targets.

Mr Ratford hopes to sell the company as a going concern and will be advertising for potential buyers this

Isuu GB was set up by directors of Follett, which has Porsche and Jaguar sports car dealerships in

London. It was kept separate from competing with much more modern the Follett company.

Isuzu GB is based at Ashford. Kent, and employs about 40. It started selling Isuzu's Piazza Turbo

The company is believed to have petes we been allocated 1,800 Piazzas for Rover. 1986 under the terms of the voluntary restrictions which limit imports of Japanese cars to the UK. Sales are understood to have been well below that, in spite of heavy spending on advertising and setting

in February through about 20 deal-

Japanese sports cars such as the Honda Prelude EX (£12,500) and Next year Isuzu GB was to have started sales of the Isuzu Trooper, a

petes with the Rover Group's Land-Isuzu GB indicated recently that it hoped for its import allocation in 1987 to be lifted from 1,800 to 2,000

four-wheel-drive vehicle which com-

to be split equally between the Plaz-za and the Trooper. It came as something of a sur-

up a dealer network.

The Piazza was criticised for being a relatively old design. It was first sold in Japan in 1981 and is based on a study completed by Ital Design in Italy as long ago as 1979.

Priced at £12,850, the Piazza is

UK software holds

THE BRITISH computer software some support to the idea, long arindustry has been holding its own gued by the British industry, that in world markets, an official report commissioned by the Department companies are bandicapped companies are bandicapped compared with their international competitors by the failure of the British public sector to contract out

cantly different conclusions to those of a study completed in June by the Advisory Council for Applied Research and Development (Acard), a Cabinet Office body,

in world markets, only companies even fi supported by the Ministry of De-fence would survive within 10 This

ried out for the new report, which has been written by Coopers & Lybrand, suggests that the Acard study significantly overstated the weaknesses of British software.

software companies have not been losing their share of world markets and that a high proportion of their revenues are derived from overseas

in the new year, are still under discussion between the DTI and Coop-

British public sector to contract out much computer work to private

central government has markedly increased its use of private companies for computer work in recent

The Acard report listed numerous apparent weaknesses in the British industry and argued that, unless it competed more viscous apparent will probably say that growth in the US software market is likely to slow down, implying that Purchase to the competed more viscous to the com software companies are due for even fiercer competition from US

This might be seen by some peo-ple as a particular problem for the UK industry because of its fragmented nature, a subject on which Coopers & Lybrand has produced background reports. The British industry has been thought at a disadvantage because it has relatively few large companies compared with those of the American and French

However, the final version of the report is unlikely to contain any recommendations of the rationalisation of the British industry or on what to do if takeovers of British software companies are mounted from the US, because such recom-mendations would fall foul of the Government's commitment not to

Housebuilding is not just highly profitable. Its other attraction, explains Mr Pountain, is that, unlike quarrying, "It's the only really big business in the group we can continue to grow organically without

Denying persistent rumours that he is on the acquisition trail, he emphasises that "we want to keep expending from within and don't want to buy any more housebuilding

control of a very big company."

VORLOWING DECREWS

Tarmac's target is 10% of new homes

TARMAC is aiming to capture 10 per cent of the market for new homes in Britain and to be building 15,000 houses a year by 1990.

The company is already vying with George Wimpey to be Britain's biggest housebullder, and its latest target is far in excess of that announced by any other company,

Tarmac expects to build and sell between 10,300 and 10,400 houses this year, following 9,163 completions in 1985. It is gearing up to build at least 11,000 in 1987.

George Wimpey – current leading housebuilder-built 9,743 houses last year and is likely to complete 10,750 this year.

Last year's number one ~ Barrait
Developments, with a total of 10,300
completions in 1965 – has radically
changed its strategy, and dropped
out of the volume race. It has
moved up-market instead and plans
to complete only 8,500, but far more

"It's not our corporate objective to be Britain's number one house-builder because that would be out of character with Tarmac," said chief executive Mr Eric Pountain, "But we do want to build 10 per cent of that makes us number one so be it."

Tarmec is very much the dark horse of the housebuilding indus-try. Unlike Barratt and Wimpey, which have catchy nationwide aderately low profile.

It consists of 20 separate small housing subsidiaries – the largest, McLean's, where Mr Pountain started, builds only 750 houses a year – all selling under different names and with different indenti-

"And we won't go national on it because it's a very local business," said Mr Pountain. "McLean's really means something in Wolverhamp-ton and the managers live in the community and advertise in the community and build what is right

Housebuilding is already Tarmac's second most profitable activity. It earned £34.7m profit on £300m turnover last year, compared to the mainstream quarrying business's £86m profit on £600m turnover. With its houses now selling at an

average £40,000 each, a turnover well in excess of £400m is predicted for 1986; and in a v seen house prices increase at four times the rate of inflation an in-

buying companies and people."

"We would like to see each of our 20 companies building 750 houses each, and all staffed independently so you svoid the problems of quality

GLOBAL COUNTRIES DANLY IN THE PT

British Gas plan cuts cash calls

By Richard Tomkina

THE impending flotation of British Gas appears to have discouraged other companies from trying to raise cash on the stock market, according to new issue statistics from Samuel Montagu, the merchant bank.

The figures show that new money raised through the issue of listed securities totalled £729m in November – a sharp fall from the £2.5km of October and well below the £884m of November

The October figure was boosted by the TSB flotation, worth
fl.Sbn, but November's figure also compares badly with the
fl.2bm raised in September. This
suggests that companies are neryous in attempting to compete
for cash at a time when investors
are holding back their funds in
readiness for Britain's biggest
stock market flotation this week.

during the mouth. The biggest single sum was the £118m raised by Redland through a rights is-

Thirteen other companies made rights issues totalling fi41m, but only three issues amounted to more than £20m: those from Regalian Properties (£37m), British Benzol (£29m) and John Waddington (£23m).

its ground overseas

The report will contain signifi-

However, statistical research car-

The Coopers & Lybrand report is likely to show that the main British

The final details of the report, which is now likely to be published

ers & Lybrand.

Foreigners confound expectations crased level of profitability would be unsurprising.

BY PHILIP BASSET, LABOUR EDITOR

FOREIGN-OWNED companies in the UK feature some significantly different industrial relations practices to indigenous companies – but some practices confound traditional British expectations of how foreign companies operate.

if you can, it will mean a That is a conclusion drawn from much happier Christmas findings on the industrial relations practices of foreign-owned compa-TO: MHA, Dept FT, FREEPOST, London EC1Y 1NE al Relations Survey, jointly funded by the Department of Employment, two other official agencies and a workers. Please send me more information about MHA private sector research institution.

Such companies, representing more likely than UK companies to about 7 per cent of total employ-have made initiatives on employed ment, were more likely to have involvement, and were "noticeably

employment constant, and equally ment - a fairly widespread differ-as likely to have grown in employ-ence between foreign-owned and inas likely to have grown in employ-

They were more likely to employ personnel specialists to manage a given number of employees and in general they had less complex barsaining units with a higher proportion having only a single bargaining unit to cover manual workers. Plant bargaining was very much more im-

made severe workforce reductions more forthcoming," according to the in 1980-84 than indigenous companuthors, with information about the nies, less likely to have kept their financial position of the establish-

digenous workplaces."

However, against widely-held belief, the survey found that union recognition in such companies grew: 45 per cent recognised manual trade unions in 1980, and 54 per cent did so in 1984, principally be-cause a greater proportion had manual trade union members present as employees.

Similarly unusual was its find-ings on the closed shop. In 1980, foreign-owned companies were margi-nally less likely than their UK counterparts to have a closed shop, in 1984 they were more likely to do so, with 23 per cent of foreign-owned

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The whole area has been thoughtfully planned and imaginatively landscaped to blend in with the surrounding beauty of the Cheshire countryside. And with showplece housing arranged in quiet

nlage servings and pleasant residential areas, Warrington-Runcorn also makes an ideal place to live. So if you think it's about time your co

spreadits wings, call Eileen Bilton or write to her at The Development Corporation, P.O. Box 49, Warrington



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For the Highlander, distilling whisky was as natural as breathing air. Generation after

generation inherited a passion for turning the water of the glens into the 'water of life'.

Whisky wasn't just his traditional national drink. It was his bread and butter. Distilling was virtually the only way he could turn his victuals into cash to pay rents, reward his workers and to feed and

Thirsting for revenue, it imposed prohibitive taxes on whisky making.

While some Highlanders were brought to their knees and paid up, many others took their stills and skills, and fled to the remote mountain areas to produce their beloved whisky illicitly.

The Highlanders see red.

Almost immediately, excisemen, or gaugers, were despatched North, to stamp out the practice and apprehend the offenders.

This angered the Highlanders. To them it was the government and its red-coated lackeys who were the criminals, taking the very bread from their mouths.

Robert Burns (who, ironically, became an exciseman later) expressed the nation's sentiments in venomous verse: "Thae curst horse-leeches o' th' Excise, Wha make the whisky stells their prize! Haud up thy han, Deil! ance, twice, thrice! There, seize the blinkers! An' bake them up in brunstane pies for poor

damn'd drinkers." Such was the Highlanders contempt for the law that it was not event considered a disgrace to go to prison for illicit distilling.

Indeed, in Dingwall Gaol convicted distillers were treated with privilege, being allowed out on Sundays and special occasions

One prisoner even approached the governor, with the remarkable proposition that they set up a still together in the gaol.

Such widespread defiance made curbing the outlaw whisky makers a hopeless task.

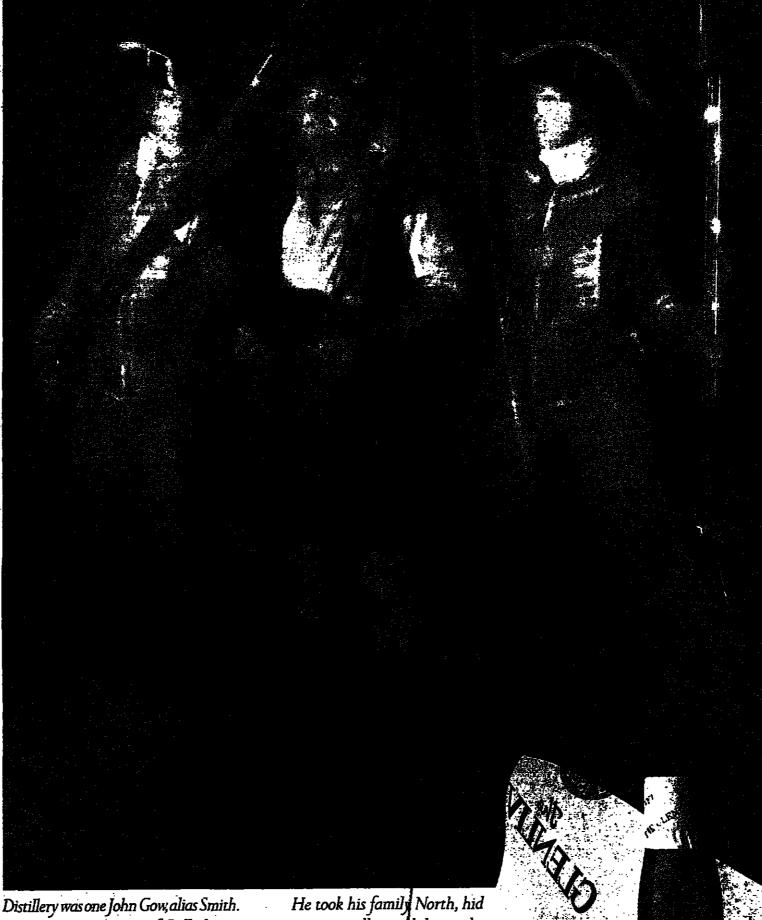
As one illicit still was closed down, another began. And in 1747, one particular still began, which was to become the most famous distillery of them all. THE GLENLIVET Distillery.

The Name Dropper. The founder of THE GLENLIVET

In 1747, whisky vas distilled wit But by the middle of the 18th and this meltingh impossible.

The Company of the 18th and this melting impossible.

MUCH SOUGHT AFTE



He was a veteran of Culloden, having fought and lost on the side of the ill-fated Bonnie Prince Charlie, and was forced to flee his old haunts near Braemar for fear of his life.

in a remote valley and dropped his gaelic name Gow in favour of Smith, to baffle the English soldiers.

(Which explains why such a Sassenach name appears on our

There he settled down for a quiet, anonymous life of farming and, of course, illicit distilling.

The Well of Fortune.

As luck would have it, John Smith had made his new home in the precise spot where the water and the peat were the best in Scotland for making malt whisky.

He had discovered Josie's Well. It is the pure Highland water that springs from Josie's Well that makes THE GLENLIVET so special.

We can't explain it. It just does. And there is no other well that performs the same magic.THE GLENLIVET made with any other water would not be THE GLENLIVET.

By the time John Smith's grandson George, inherited the still in 1817, the fame of the illicit GLENLIVET had spread far and wide.

"It is worth all the wines of France" opined the Doctor in Sir Walter Scott's St. Ronan's Well,"and more cordial besides."

Praise indeed for THE GLENLIVET's "cunning chemists," as Scott called George Smith and his workers.

Christopher North, who in 1827, wrote a famous series of sketches in Blackwood's Magazine, quoted James Hogg, the Ettrick Shepherd:

"Gie me the real Glenlivet, and I weel believe I could mak' drinking toddy oot o'sea-water. The human mind never tires o'Glenlivet, any mair than o'caller air. If a body could just find oot the exac' proportion and quantity that ought to be drunk every day and keep to that, I verily trow that he might leeve for ever, without dying at a', and that doctors and kirkyards would go oot o'fashion."

Going straight.

Such a celebrated whisky couldn't remain illegal for long.

(Although outlawed, THE GLENLIVET was the toast of gentlemen,



lords and even kings. George IV of England was said to drink "nothing

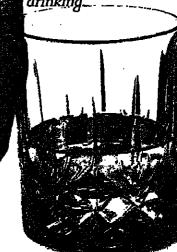
It was the Duke of Richmond and Gordon (George Smith's landlord) who eventually put THE GLENLIVET on the strait and narrow.

He persuaded Parliament to pass the Act of 1823 which made legal distilling worthwhile.

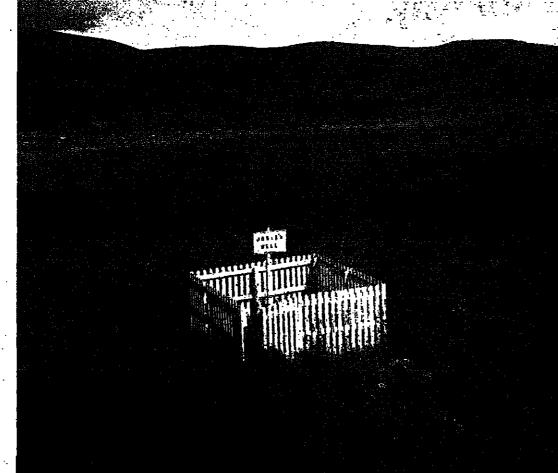
The following year George Smith took out the very first licence. Making THE GLENLIVET Scotland's first malt 🐑 whisky.

> People had been enjoying it secretly for 77 years. Now it existed. Officially. The rest is history. THE GLENLIYET'S unique subtle taste and distinctive 'nose' has been appreciated ever since. Try a dram and experience its magical properties yourself.

These days, you can't go to gaol for what you're drinking.



Scotland's first malt whisky.



wneares: office

THE IVORY coloured carpet is spotless, the offices look like English drawing rooms, the panelling shines. All is quiet but for a conversation beyond an open dogr.

This scene is the executive spite of J. P. Morgan, parent of Morgan Guaranty Trust. And as helis the image of America's

as befits the image of America's premier commercial bank, it is hushed, unhurried, and posi-

tively reeks of quality.

Morgan Guaranty is in a class by itself in the banking world.

Though founded by one of Wall Street's more notorious wheeler dealers, the name has come to be synonymous with all the noblest qualities to which bankers aspire: soundness, discretion, intelligence, and a client list that is the corporate equivalent of the Social Register.

Perhaps the most striking thing about Morgan is that its competitors, always quick to pick holes in each other, usually have little but praise for its achievements. "Add it all up and it's awesome." says one of them with generative many

and it's awesome." says one of them, with generosity rarely heard on Wall Street.

Many of Morgan's virtues are plain for all to see. Though not the largest US bank (it ranks number five), it is the only one which commands the prized triple A rating in the credit markets—such is the strength of its balance sheet and trading record. With its high reputation, it can thrive by catering to only 600 of the world's top to only 600 of the world's top banking customers as close clients (though it deals with thousands more in the course of its everyday business) while its competitors cast their nets far and wide, and even have to stoop to provide banking services to millions of ordinary

But in many respects, these are qualities which other banks could also achieve if they only set out to emulate Morgan—as another large commercial bank, Bankers Trust, has in fact done. And while Morgan may put on classy airs, it knows how to use its elbows when fighting for deals. They do it in a gentlemanly way, but they hustle like everybody else," says a

competitor.
The special Morgan qualities which others find harder to nurture are far-sightedness. of the activities covered by another, "We share our perswhich has consistently put it at the forefront of trends, and a high level of cohesion within its ranks, the famous Morgan

Morgan is, unusually, run by a "corporate office"—the four top officers who inhabit those comfortable drawing rooms and who consist of Lewis Preston, the bank's 60-year-old chairman, Robert Lindsay, the president, Dennis Weatherstone, chairman of the executive committee, and

Morgan Guaranty

The noble hustlers of Wall Street

BY DAVID LASCELLES

section which says that banks may not own companies "primarily engaged" in the proscribed securities business, Morgan has set one up that would be only "partially" engaged in it. J. P. Morgan Securities Inc. has \$250m in capital and absolute includes

capital and already includes

manship of the bank.)

and acts as a back-up for one

the bank's money market operations and Treasury bond dealership. From January it will also have the municipal bond and public mortgage-backed securities operations. DESPITE its patrician image, Morgan is a hardy campaigner for reform of US banking law, particularly the Glass-Steagall Act which bars banks from underwriting corporate All these activities are per-mitted to banks under US In order to overcome the section which says that banks law.

The next step is to obtain Federal Reserve Board per-mission to include private mortgage-backed securities, municipal revenue bonds and commercial paper, which fall into a grey regulatory area. Morgan filled its request in

bread and butter, and its needed, replacement by investment in Tokyo, Morgan has joined banking providing sophisticated the line of banks seeking a John Ruffle, the vice-chalrman. (The number will fall to three in January when Lindsay retires, to be succeeded by Weatherstone, a 55-year-old Englishman, who will thus move into succession for the chairmanship of the beath financial advice and arranging licence to deal in securities. It is also one of the few foreign banks permitted to engage in trust banking in Japan. Even into a merchant bank by merging its lending business with its capital markets corpuses to few Morcan is selling whatever

The office, says Preston, " is a throwback to the old partner-ship which founded the bank." caiptal markets services to form a new Corporate Finance Group.

Apart from highlighting the decline of what was once the bank's most basic business, the Throwback or not, it allows the key men to keep abreast of everything that is going on. Each man has primary responsi-bility for some major activity reorganisation was supposed to equip Morgan to handle the whole gamut of investment banking products.
The trend towards securities

another. We share our pers-pectives. We don't like to be surprised," says Preston, who used to be in the marines. finance was one it had been following carefully. In London, it has become one of the largest issue managers in the Euro-markets, and a dealer in gilt-edged stock; a move into equities is now planned. In other countries it has gone into the securities underwriting and distribution business. In some Largely because of the strong





(Lto r) Lewis Preston, Dennis Weatherstone and Alfred Vinton

company, knowing that would

August 1985 and is hoping for August 1985 and is hoping for the go-ahead b, the end of this year. If approved, these activities would constitute a minor part of the subsidiary's operations, and fulfil the re-quirement that Morgan was only "partially" engaged in them. To insulate the bank from any losses it might sus-tain, the subsidiary carries no debt guarantee from its debt guarantee from its parent.

Morgan has deliberately held back from asking for the right to deal in corporate securities through the new

Instead of the traditional

account officer, Morgan now allocates teams of individuals

be impossible as the law cur-rently stands. But it is hop-ing to be allowed to start a stockbrocking service through which it could execute orders for equity stocks on the floor of the New York Stock Exchange, and advise inves-tors. Morgan is already a major factor in the equities market through its invest-ment division which manages some \$50bn of funds and con-ducts extensive stock research.

course, in trying to get its staff to pull together; with only 14,000 of them it is tiny com-pared with the likes of Chase and Citicorp with many times that number. But Morgan-watchers say the bank also has the closest-knit corporate culture of the large US banks.

to each of its big clients. Each team contains whatever skills Morgan thinks that client will need: capital markets, planning, mergers and acquisitions, etc. Structurally, this means that Largely because of the strong consensus at the top, Morgan has been able to react faster and more radically than any other US bank to the changes that have recently reshaped the world banking business—particularly the evaporation of the market for big company and country loans, once Morgan's markets, and a dealer in gilt-structurally, this means that mergers and acquisitions, etc. "We attach a lot of importance and confidence in this mergers and acquisitions, etc. "We attach a lot of importance and communication and competitive, and the communication and competitive, and the communication since Morgan and communication and competitive, and the communication since Morgan and communication and competitive, and the communication and communication and competitive, and the communication and communi

of the subsidiary, is where the Fed will draw the line on "primarily engaged." "Some banks think it could be 49 per cent. We think it will be lower."

Some people have seen in the new company the seeds of a new Morgan Stanley, the investment banking arm of the J. P. Morgan banking empire which had to be split off when the Glass-Steagall Act came into force in the 1930s. But its prospects will be limited until the Act is changed.

Morgan's lack of a broad retail customer base could be another liability in a volatile banking world. Continental lilinois arguably went under because it was overdependent on fickle wholesale money, while Bank of America may survive thanks to thousands of loyal personal account-holders. Morgan is careful to counterbalance this danger by running an extremely conservative balance sheet and keeping its capital ratios among the highest in the land.

Being top bank also means

relief may be a long time com-ing, especially after the recent Ivan Boesky insider trading scandal which has reinforced

Morgan's lack of a broad re-

The irony in Morgan's pregetting to B. Thomas Hanley,
eminent position is that it is the banking ane//st at Salomon
also the most vulnerable. Its
most obvious liability is its detop US bank this year based on

Morgan does its best to protect its relationships by offering ad-visory services which are not Management abstracts dependent on transactions, or

by arranging complex deals which require a lot of personal contact. But one senses it is more worried by this threat than it is prepared to admit. (US), May 1986 (2 pages) which require a lot of personal contact. But one senses it is more worried by this threat than it is prepared to admit. The narrowness of Morgan's business also explains the sharpness of its attacks on US bank regulation, specifically the Glass-Steagall Act which prevents it developing a fully fledged corporate finance business in its home market.

Preston admits: "At least for the moment, we are a hybrid, is more discontinuational commerce with verbal savoir faire. W. K. Weber in Business Marketing (US), May 1986 (4 pages)
An amusing piece on gaifes that can be made in translation or interpretation at interpretation the moment, we are a hybrid, and will remain so until we get some legislative relief." That

Confronting alcoholism through confronting alcoholism through team evaluation. M. R. Edwards and J. R. Sproull in Business Horizons (US), May/ June 1986 (6 pages) Examines disincentives that inhibit individual supervisors

arguments that securities are inhibit individual supervisors the last thing a bank should be from identifying alcoholism in allowed to do. Preston has the work force, such as fear of threatened in the past to give up Morgan's banking dicence in order to escape banking regulation, but that was more for dramatic effect. "That option is not really attractive because a significant part of our business still comes from hanking and deposits."

Morgan's least of the work force, such as fear of confrontation, difficulty of documentation, and fear of being blamed; finds there are some (but no very strong) incentives for action, but contends that team evaluation methods of performance appraisal can be more successful.

Selling to high-tech ton manages.

more succession.

Selling to high-tech top management. D. S. Matlow in Business Marketing (US), June

'86 (4 pages)
Examines the difficulties of closing sales to high-technology companies—for example, the time it takes, and the need to incence to deal in securities. It is also one of the few foreign banks permitted to engage in trust banking in Japan. Even left in the US, where banks are still prohibited by law from its dealing in corporate securities, morgan is services it investment banking services it investment banking services it is legitimately can, and it has a applied to the Federal Reserve Board for permission to deal in a wider range of securities (See box).

Instead — The stain on that culture is the stant-easy of dollars from the bottom up in order to sell from the bottom up in order to sell from the tottom up in order to sell from the tothom the stant-easy of Antonio Gebnuer who admitted plunders of dollars from the trankings.

The stain on that culture is the stant-easy of Antonio Gebnuer who admitted plunders of dollars from multilons of dollars from customers accounts. Preston of dollars from the trankings.

"We worry terribly whether treem case of Antonio Gebnuer who admitted plunders who admitted plunders of dollars from the trankings.

"We worry terribly whether corporate sees with their colitations, processing and accounting in the stant-easy of dollars from the top down." The stain on that culture is fine stant or that culture is fine stant or the trankings.

"We worry terribly whether corporate sees of Antonio Gebnuer who admitted plunders was of dollars from a vulnerable position you direct all your attention to get integral to the property." Says Preston at the ranking services it is to make carly conservation. The stain on that culture is fine stant or that culture is fine thand.

"We worry terribly whether corporate sees of Antonio Gebnuer who admitted plunders was of dollars from a vulnerable position you direct all your attention to get its grader. The stain on that culture is fine thand.

"When you recognise you are "When you recognise you are string from a vulnerable position you direct all your attention to get. The stain on the tranking.

"When you recognise you are some way to go it to the tranking of the tran access customer top manage-ment; offers an approach to

In the foreground,

landscape of the island of Menorca The wind has the leading role.

fun. In the background, the seductive

the need to determine the optimal degree of integration for each merger; takes into account the merger objectives most obvious liability is its dependence on a narrow market.

pendence on a narrow market.

Although it has reached swiftly capital, productivity and to the changing habits of its prize customers, the new But it's also sustainable." he says. "They have an ability to anticipate events greater than must hold its clientèle or die.

Its chosen market may be ture themselves in anticipation."

These sets the abstract than anybody else, and then to structure themselves in anticipation." and the size/form of the merg-ing companies. Outlines ing companies. Outlines strategies for integration, and advocates a phased, evolu-

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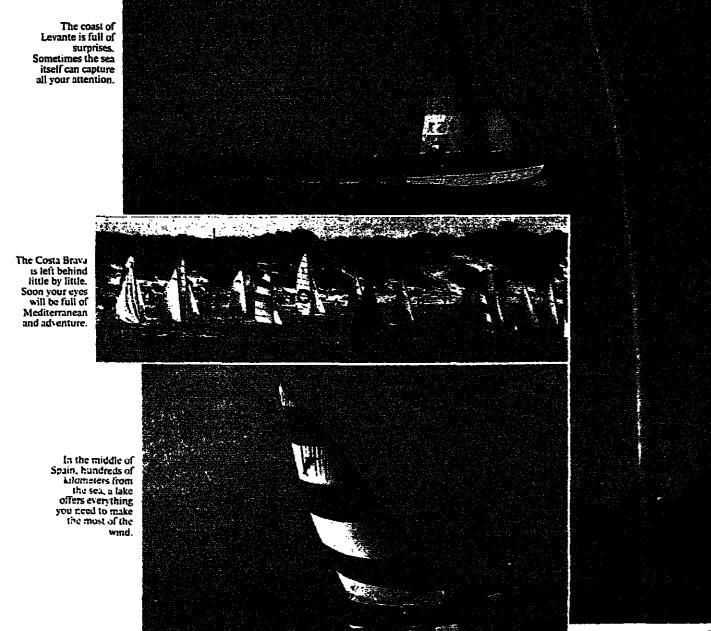
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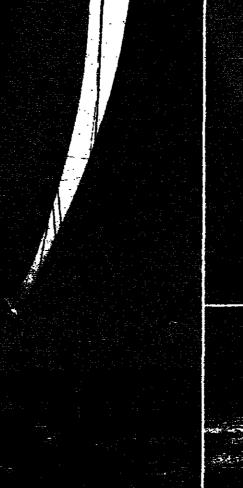
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Everything under the wind.

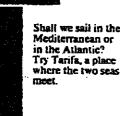




Spain covers an area of some 500,000 square kms. But the ways of having fun don't stop at the coast. They go on even further. Where the land ends, the sea begins. And with the sea, another way to enjoy yourself in Spain.

More than 5,000 kms, of coastline offer a real paradise for water sports' enthusiasts in Spain. Go to any of the many Marmas in our country. For a small fee, you'll be able to hire a sailing-boat, catamaran or

even a luxury yalch with crew thrown in. Later drive right in and discover a new world -the other Spain where wind and sea play the leading roles. Spain has no limits. Come on in.





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As a high flying professional, you often demand a little extra.

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What you need is an extra special tool: the fastest member of the popular IBM Personal Computer XT range, the affordable new XT286.

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hat's because the advanced technology gives you a large memory - 640 kilobytes on a standard circuit board that takes the most sophisticated program in its stride, and still leaves expansion slots free for extras.

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Think of the extra benefits that all this could bring to you personally. Storage and processing power

that can be used as a stand-alone PC or as a gateway from your IBM PC Network or Token Ring Network to your company's mainframe computer.

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ontact an IBM Authorised Dealer today or complete the coupon to find out more about how the new PCXT286 can give you an extra lift.

For further information about the IBM PC XT286, and IBM Authorised Dealers, please write to IBM PC Enquiry Centre, IBM United Kingdom

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This advertisement is issued in compliance with the required of the Sock Exchange

ASHTEAD GROUP PLC

The Group trades under the names of "A Plant" and "Tool Hire Shope" and is engaged in the hiring out of a wide range of non-operated plant and tools. Customers include those involved in construction, civil engineering, maintenance, repair and refurbishment work, as well as the

(Incorporated in England and Wales under the Companies Acts 1945 to 1951 - No. 1867982)

Placing

Greenwell Montagu Securities

of 1,400,000 Ordinary Shares of 10p each at 122p per share

MARIE CAPITAL POLLOWING THE PLACES

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the entire share capital of the Company, issued and now being issued, in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be

Particulars relating to the Company are evallable in the Extel Statistical Services. Copies of the Prospectus may be obtained during normal business hours on any weekday, Saturdays excepted, up to and including 3 December 1988, from the Company Announcements Office, The Stock Exchange, London ECSP 28T and up to an including 14 December 1986, from:

Greenwell Montagu Securities, Bow Bells House, Bread Street, London ECAM 9EL

1 December 1986

Company Notices

Hoechst 🗹

LONDON DEPOSIT CERTIFICATE

S.G. Warburg & Co. Ltd. as Depositary, hereby gives notice to Holders of London Deposit Certificates that Resolutions were duly passed at a Meeting of Certificate Holders held on 7th November, 1986, that firstly, a new form of London Deposit Certificate be adopted forthwith and secondly, that existing Certificates must be surrendered in exchange for Certificates in the new form.

Each Certificate Holder must now forthwith surrender to the Depositary his London Deposit Certificate(s) and receive in exchange without payment, one or more London Deposit Certificate(s) in the new form with 35 Coupons and a Talon attached covering the same number of shares as the Certificate(s) surrendered, at the office of:—

S.G. Warburg & Co. Ltd. Paying Agency, 6th Floor, 1 Finsbury Avenue, London EC2M 2PA 1st December, 1986

Art Galleries

COLNAGHI, 14, Bond Street, W1, 01-491 7408, An exhibition of OLD MASTER PAINTINGS. Throughout December, Mon.-Fri, 10-5.30; Set. 10-1. FFEVRE GALLERY, 30, Braine St. W1, 01-993 2107, IMPORTANT XIX & XX CENTURY FRENCH AND BRITISH PAINTINGS AND DRAWINGS, Until 10th DECEMBER MON-FIL 10-5; Sats.

MASON, Mon.-Fri, 22-2-2-2, and property of the property of the

PUBLIC NOTICE

It is proposed to close down the Southall (London) branch in UK of Punjab and Sind Bank and vest the assets and liabilities of the branch in the Bank of Baroda as at the close of business on 31.1.87.

This is being done with a view to consolidate and rationalise the operations of the branches of Indian banks in the UK. The dues of the depositors and creditors will be met in full. The existing depositors of Punjab and Sind Bank may avail of the facility of con-tinuing their accounts with the transferee bank.

The former bank will issue suitable advices in this regard in due course. Sd. Dr. K. K. Mukherjee Chief Officer, DBOD Reserve Bank of India.

Clubs

N.V. MIJNMAATSCHAPPIJ CURAÇÃO

established at Amsterdam

With reference to the amendment of the conditions of Administration, dated 25th June 1986, the undersigned advises that as from 1st December 1986, depositary receipts of the A1 share in the denomination of one receipt will be obtainable at the Head Office of Bank Mees & Hope

Amsterdam, 1st December 1986 Trust-Maatschappij Curação I B.V.

NV at Amsterdam.

REPUBLIC OF IMPONESIA S\$200,000,000 FLOATING RATE NOTES DUE 1982

annum.

On the 28th May 1957 Intervet of USS317.35 per USS30,000 nonfinel amount of the Notes and intervet of USS7934.46 per USS250.000 nonfinel amount of the Notes will be due against instreat Coupon No. 10. SWISS BANK CORPORATION INTERNATIONAL LIMITED

pipeline in north-west India.

order is believed to be worth a total of £18m. It includes a full flight simulator and a fixed base flight simulator, both of which will be used in conversion and recurrent training for the airline's pilots, and a ground maintenance simulator which

\$13.8m (£9.7m) order, with a further \$6m (£4.2m) option to

develop a pontoon and cause-way system for the US Depart-

ment of Defense. The com-

pany won the contract, against stiff American competition, through keen pricing and be-

cause of previous experience producing a similar pontoon system for the British Army's Boyal Corps of Transport, at Marchwood, Southampton. Fatrey Marine has entered a joint venture with two American communics action as

American companies acting as sub-contractors to develop, construct and demonstrate the

new system and a prototype 500 ft clevated causeway from

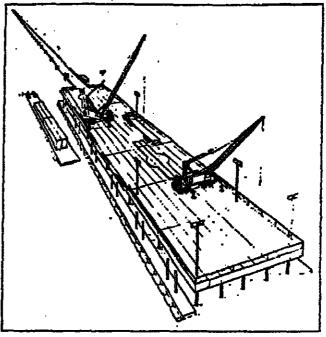
soft elevated causoway from pontoon elements. The prototype system will be built in the US by the United Chem. Can Corporation of Pennsylvania while a second partner, Advanced Marine Enterprises of Washington DC, will provide support documentation for the US. Fairey Marine will supervise and manage the project over the next two years from its technical facility at Cowes.

A system of 40 ft and 20 ft long steel cells, each 8 ft wide by 4 ft 6 in deep, will clip together to form fleating pontoous. The same cells will also assemble into elevated

W. H. ALLEN, part of NET-APE, in turn part of Northern advanced equipment for British Engineering Industries, has obtained a repeat order worth 53m from the Indian Oil Corporation for a further six crude oil-burning 8-cylinder-type S37 engines, to drive crude oil pumps on the Salaya to Mathura incelline in morth-west India.

tem from the beach, staying dry above the breaking waves by cautilevering each new secby cantilevering each new section into position from the previous one by on-board crane, then driving support piles from the elevated section into the beach below. Because of this feature the system is referred to as CAN-TELCAS (Cantilevered Elevated Canseway) and, unlike previous systems, is stackable into container-sized units which can be moved and transported by standard container equipment.

standard container equipment. "This is a most alguideant contract, moving us into a market which has enormous potential," says Fairey Marine managing director, Mr Jack Barr. "It's the culmination of a strategy we implemented two years ago to broaden out activities into marine-related floating assemblies built to defence standards. Our system has commercial as well as military implications and we're looking to Nato and other markets as well as the Us. The basic pontono cells can be applied to floating causeways, roll-on, roll-off pontoons, motorised rafts, diving platforms, floating breakwaters, and struccontract, moving us into & ing breakwaters, and struc-tures for storage and trans-portation of fluids and gases."



CONTRACTS

Fairey Marine wins US defence order

Artist's impression of the cautilevered elevated causeway developed by Fairey Marine for the US military.

causeways up to 3,000 ft long, for transferring military stores from lighters over the

£16m training simulators for British Airways

REDIFFUSION SIMULATION will be used to train engineering bas won one of the biggest orders ever awarded for commercial flight simulators to three will be installed at BA's three simulators for its new Boeing 747-400 aircraft fleet. The in anticipation of the first new context is believed to be used.

will be used to train engineering crews in a wide range of ground maintenance procedures. All three will be installed at BA's Heathrow flight and engineering training centres by autumn 1988 in anticipation of the first new aircraft delivery scheduled for March 1989.

Visual simulation of the outside world is expected to be achieved using the Novoview SP-X 509RT computer generated to this year's Farnborous for an association with Gould Concept 32/67 and 27 processors and relictive memory hardware. The full and fixed based simulators will be built at Rediffusion's Crawley factory with the ground maintenance simulator being built at its Aylesbury plant. British Airways has ordered 16 Boeing 747-408s and holds options for an additional 12 airmently holds an option. SP-X, the future development of the first of BET.

Avco-Lycoming ALF 502 engines are fitted to algued three contracts worth Avco-Lycoming ALF 502 engines are with the Chinese Government for Aereospace to power the BAe a process line for turning bankoo into packaging grade

National Provident Institution (NPI), the UK life assurance and pensions concern, has pur-chased a HONEYWELL large scale DPS90/91 mainframe com-puter, valued at £3.5m, to develop on-line systems and pro-

WARMAN INTERNATIONAL of Todmorden in Lancashire has been awarded its largest single contract, worth more than £2m, for the supply of pullet assemblies to Lurgi (UK) for installation at the British Steel Corporation Scuntharpe complex in Yorkshire. The assemblies are A 35m order has been placed with Orenda, the Canadian subsidiary of HAWKER SIDDELEY customers, has placed an order of the UK, for the manufactures, terminals and maintenessystems, terminals

Do you know the one about the Chinese, the Scot and the Belgian

The Chinese was refurbishing a furniture factory. Importing a large amount of foreign equipment to be paid for in hard currency. But the factory only produced for the domestic market.

Problem. He had no exports with which to recoup the outgoing currency.

He came to Generale Bank in Beijing. They contacted the Foreign Trade Promotion Department of their Head Office in Brussels, and asked about possible customers. Belgium occupies a prominent position in the furniture market. Not surprisingly the answer came back the same week.

Enter the Scot. Her company badly needed a new supplier. It was the perfect match.

Generale Bank made the introduction, then structured and financed the deal. The Scot got her supplies and the refurbishment went ahead immediately.

We did it for them and we can do it for you.

Generale Bank

Montagne du Parc 3, B 1000, Brussels, Belgium.



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MONDAY DECEMBER 1st

THE OTHER OTHER BANG:

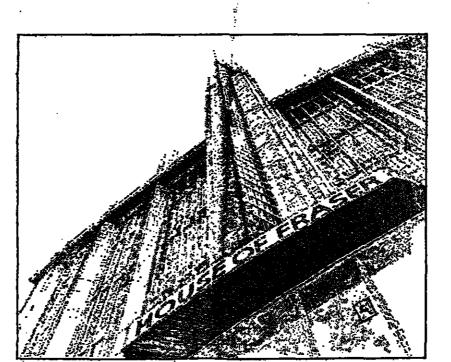
House of Fraser is about to do to department stores what the first Big Bang did to finance.

We're going to change the rules, break out of the straight jacket of tradition and create the radically different shopping environments demanded by the twenty first century.

The first of these in London will open at noon today in Kensington High Street.

You are then invited to step across the threshold into the future. Into a department store like no other you've ever seen before. But which, in years to come you will increasingly see in the High Streets of Great Britain.

You will know them by the name above the door, House of Fraser. And the fact, perhaps, that unlike the revolution in the City, ours will be something to shout about from the very first day.





THE START OF A NEW ERA IN DEPARTMENT STORES

FORTUNE MAGAZINE recently called him America's most successful entrepreneur, but he much prefers to be labelled a professional manager. When he discusses corporate policy, he assiduously avoids the use the first person singular, although everyone says that he is in absolute control of the company. He runs the fastest-growing large computer group in the world, yet he talks about

in the world, yet he talks about his rivals without the slightest hint of aggression. These are just a few of the contradictions in Mr Ken Olsen, the quirky, 60-year-old electronics engineer who in the last 29 years has built Digital Equipment Corporation from nothing to become IBM's most formidable competitor. He clearly dominates the company, as big and as chunky as the New England granite which surrounds DEC's headquarters. Yet he is a difficult man to measure, a mixture of personal measure, a mixture of personal charm and diffidence, open but obtuse, a visionary who likes working through committees, both autocrat and democrat at

the same time.

Just one example of this oddly tangential, unexpected approach to business is his attitude to IBM, the computing giant which casts a heavy shadow over every other com-pany in the business. "We are pany in the dusiness. We are committed to giving people an alternative to IBM," he says. "It is really our social obligation to the world, and no one

else is going to do it."

DEC's growth in the brief quarter-century since Olsen and five partners set up shop in the corner of an old Massa-chusetts textile mill is the epitome of the American business dream. They started with virtually nothing—just \$70,000, mostly borrowed from a Boston venture capital firm. In the early days, they scrimped and saved wherever they could. Olsen, it is said, vetoed the hanging of doors, even on the hanging of doors, even on the toilets, because they were too expensive, and he proved a dab hand at adapting common-orgarden products to exotic electronic purposes. The partners did everything themselves, from sweeping the floors to the demanding corebral affort of demanding, cerebral effort of designing the world's first com-

mercial minicomputer.

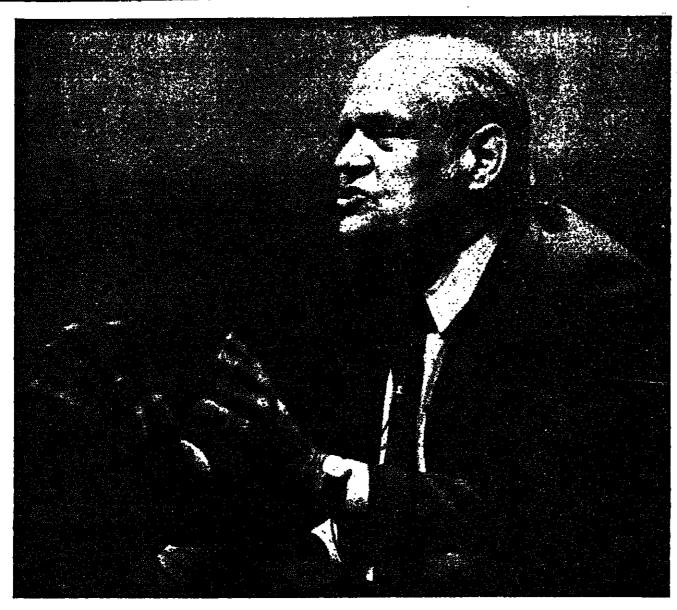
The mini-computer, a small, robust machine designed for scientists and engineers like themselves, was an immediate smash hit. It opened an entire new chapter in the history of the computer industry, bring-ing data processing power down from remote corporate eyries to the departmental level where the engineers could use it to help crack day-to-day problems. "We saw our mission as introducing interactive computing, a strange new concept at that time," says Olsen.

Scores of start-up companies

in the burgeoning US computer and electronics industries have since mirrored DEC's success.

Many of them have produced
entrepreneurs who became
American business heroes but none has yet achieved quite what Olsen has done as he number two position in the this year following the merger understated. The company has of Burroughs and Sperry. Today, a much lower profile than with revenues of \$7.6bn, DEC smaller but more glamorously is the undisputed star of the presented groups such as Wang

of innovative products, Long ago, unis extraordinary record of growth turned Olsen into a multi-millionaire—with 2 per cent of the company, his stock is worth well over \$200m today. Indeed, he would have been a multi-billionaire if he



INTERVIEW

The man who made IBM pay to catch up

Terry Dodsworth talks to Ken Olsen, head of DEC.

US entrepreneurs generally his way to court it either, and been a company that believed manage to squeeze out or their backers. But in many ways, Olsen is not a typical high-tech entrepreneur—and DEC, which more than most companies reflects its founder's personality, is an equally uncharacteristic high-tech business.

Perhaps the most palpable impression visitors bring away from DEC is of an organisation where everything is deliberately middle sector of the computer or Apple. Olsen shuns ostenmarkef, where it has outtain driving around in a Ford manoeuvred IBM with a series of innovative products.

State undisputed a state in the product of the computer of the computer of the series of the cold woollen mill where it all started.

The site, poised over a lake within a few miles of Thoreau's Walden Pond, seems to have been chosen more for its natural beauty than its accessibility.

bility.
While he does not avoid pubhad managed to retain the sort While he does not avoid pubfor its new range of mini-of equity participation which licity, Olsen does not go out of computers. But DEC has always

seems unconcerned about his public image. Commenting on big advantage, because it Olsen's love of the product, over many months as he stubbrought everyone together." He honed by a long research spell bornly pushed the issues insists that the criticism never at the Massachusetts Institute through committee, often caused him to question his judgment. "I never felt that messing about with radios in we were wrong. But I never the celiar of the family home. There were several felt that the world over the celiar of the family home. felt that the world owed it to us to be successful either. The

world doesn't work that way, and we made a number of mis-Behind this detached, otherworldly attitude, however, there is a bubbling enthusiasm for computers and what can be achieved by finding more and more uses for them. The atmosphere in the DEC headquarters today is enormously infectious, as it rides the wave of success

fiercely in its products and which has, as a result, extracted a period when the company equally ferocious loyalty from came under withering attack its customers. To this day Olsen four years ago, he says that will go off and tinker with the "being beaten up by the Press, machines. "We believe we are sometimes quite unfairly, was a a product company." he says.

These years spent in a funda-mentalist Christian household also infected him with the other abiding passsion of his life, a deep religious faith which is just as important to him as computers. More than most businessmen, he is willing to talk about ethics, and he regularly attends a prayer meeting of top Boston businessmen.

Olsen's Christianity has un-questionably been a significant element in the development of DEC. For ethical reasons he is strongly opposed to marketing, which he habitually describes as "selling customers something they don't want." He is also deeply suspicious of advertising, on the grounds that it often on the grounds that it offen distorts the truth; and he refuses to pay his salesmen commissions. "The message you are giving salesmen on commission is to work hard for the order, but not so hard for the

people who gave you the order," he says. This mixture of personal modesty and rock-hard conviction has frequently puzzled and disconcerted observers, and it has clearly contributed to the group's unconventional man-agement style. Until very re-cently, DEC has been run in a collegiate spirit. In the early days, scientists would come to-gether on projects when they warranted it; later on, the com-pany was split into separate fieldoms centred on specific product lines, but answerable to a central committee. Olsen's authority is exercised through this committee, where he prods

away until a consensus emerges. While he may not impose his years ago he had to act to re-solve a crisis and give the com-pany new direction. It was in this period that DEC reached its lowest ebb. Wall Street and the rest of the investment comthe rest of the investment com-munity seemed to be mes-merised by IBM's new personal computer range, which was then effortlessly sweeping the opposition aside. DEC's own personal computer flopped dramatically, generating a flood of obituary notices in the busi-ness research splunged in of oblivary notices in the bush which in a typically sharp swing ness press as profits plunged in of sentiment has pushed IBM

disease—the inability to see the need for change

Far from being inactive, however, Olsen was at that time struggling to introduce a more centralised, conventional management system. It was a wrenching episode, dragged out phecies of impending doom

Characteristically, he describes his part in this reorganisation in muted terms. The policies had been agreed, he says, but DEC, being a "free-wheeling. undisciplined organisation." was not following them. "So it was clearly my responsibility to do exactly what I did." While it hurt to see his friends go. "they were entrepreneurs, good at ad hoc. spur-of-the-moment decisions. They could not swallow the discipline of having to work together."

together.'

DEC's fabulous growth spurt against the tide in the industry has since totally vindicated the reorganisation. What the com-pany has done with its new range of machines is to make it possible to link various types and sizes of products in a network which spreads computer power throughout an organisation. Its computers span the power range from small deskiop personal computers to the bottom end of the large mainframes. Yet because they are other without expensive adapta-tions, they can simply be plugged together in the way that telephones can be hooked into the public network.

"The most important thing in business is to have an organisation that works together, and the key question in computing is to be able to tie up machines easily with each other," says Olsen.

other," says Olsen.

This is a view which is increasingly attracting converts, even at IBM, which is now rushing to catch up with more compatible machines. The fascination with personal computers as an end in themselves is dying away, and Olsen is clearly convinced that DEC's "simple, elegant solution for tying a system together "has created a much better base for substantial growth.

But he refuses to be drawn

on how effectively DEC can challenge IBM, a company which is seven times its size. That he leaves to Wall Street, 1983. Olsen was written off as into the dunce's corner occu-an old man with founders' pied by DEC four years ago.

• PERSONAL FILE

1926: Born in Stratford, Connecticut. 1944: Service in US Navy. 1947: Entered Massachusotts Institute of Technology.

electronics engineer. 1950-1957: Research worker in MIT computer laboratory.

1956: Secondment from MIT to IBM. Founded DEC with five partner 1960: Young electronics engineer of the year. 1970: US businessman of the year.

Goodbye to all that Good Sex

TODAY, DECEMBER 1, sees the opening of the retrospective season, the annual, that-was-the-year-that-was, period in journalism. Here is an early entry.

Nineteen-eighty-six has been the Year of Bad Sex. It has opened up the question, now being thrashed through at bar counters and dinner tables, of whether or not this is the beginning of the era of bad sex.

Aids is at the root of it, of ginning of the era of bad sex.
Aids is at the root of it, of
course. But from a variety of
other sources, as well, have
come fresh anxieties and movements which could bring the
Era of Good Sex, generally
thought to have begun in the 1960s, to a close.

The Good Sex Era, which depended largely on widely available and (for men) safe and trouble-free contraception, saw a general acceptance of the view that sexuality was benign, and the more the better. Of course, there were all sorts of people and institutions protesting that life could never be that simple: but they were on a slippery

Some of these anxieties and movements are serious, though not as serious as an uncheckable AIDS epidemic. Women have AIDS epidemic. Women have become increasingly concerned over cervical cancer, and the possibility of infection from men—a strong argument against promiscuity, or at least for the use of condoms. Feminists have taken a lead in this, as they have in insisting on the seriousness and high incidence of rape and other sexual abuse. More and more, it seems, the women have come to see the sexuality revolution as one which benefited men only. fited men only.

JOHN LLOYD

subterranean world of youthful

Yet resentful members of the Yet resentiul memoers of the "caring" professions have been growling that this blitz is merely another neon-lit one-night stand for the rootless media circus leaving a trail of impossibly aroused expectations behind it. while parents have voiced fears of their children reaching for the Childwatch number after a domestic altercation or from a rage of repressed jealousy of a supplanting but innocent step-For all that, though, the viola-

tion of children and of women is now exposed to debate and posed as a problem with which society and its managers are enjoined to deal. The freedom of sexuality, seen 20 years ago to be an undifferentiated advance towards the light is now represented as dark, terror-laden and even possibly fatal.

laden and even possibly fatal.

The signs of the times are all around. A spate of books—
Germaine Greer's "Sex and Gender," Celia Haddon's "The Limits of Sex" and the most recent Liz Hodgkinson's "Sex is not compulsory," all counsel abstinence as preferable to bad sex or even any sex. Mrs Mary Whitehouse won by 2 2-1 margin when supporting, in a Cambridge Union debate last month, the case that pornography should be banned.

AIDS has given all of this a AIDS has given all of this a huge boost. The frightening growth in the prevalence of the disease, the dawning realisation within the heterosexual majority that it is not simply a "gay plague," the shivering fear induced by photographs or descriptions of its victims—all of these are now changing the sexual calculations of more and

colleague of mine listened with awe to a group of rather drunk teenage girls having a conversation about the need to carry condoms (Woman's Own magazine last week offered a free packet to all its readers). Another colleague has recorded the first known AIDS-related break-up of a relationship when a woman refused further sexual relations with a man unless he underwent AIDS screening after a return from a visit to New York.

The Award

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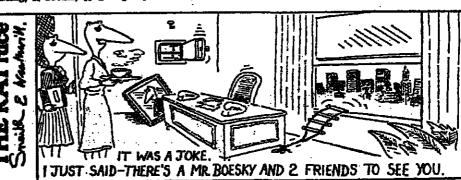
Cent USamadurudy

In "The Making of the Modern Family," Edward Shorter writing in the still-good-sex times of the 1970s says that "in the 1960s the chances were "in the 1960s the chances were very high that young people who felt attached to each other would extend their relationship to the sexual domain. Even those who did not feel very attached would probably do so as well ... the chances were overwhelmingly that if things did not go well in either the quantitative or qualitative realm of sexuality in the 1960s, the couple would dissolve and the dance of courtship would recommence with someone else. And that would have been un-And that would have been un-thinkable in times past."

Will it become too scary to be thinkable in times future? Perhaps. Shorter also believes that increased pre- and extramarital sexuality is a function of the loosening of community ties and inter-generational bonds consequent on rapid industrialisation from the mid-18th century: and these bonds are looser now than ever. The automatic linkage of sexuality automatic linkage of sexuality and good times, so distressing to those who could not get enough of the first to believe they were having the second, is broken, for sure. But it was rarely made before the 1960s, at least not "officially"—and yet these was planty of it about Others are a hopeless mixture of seriousness and hype. Ms Esther Rantzen of the BBC has put the problem of child abuse —very often sexual abuse by a parent, more usually stepparent or relative—at the forefront of the public mind through "Childwatch." Her programme, which called for responses from the afflicted, attracted enormous numbers of calls—some 50,000 immediately after its broadcast —pointing, it seems, to a huge within the heterosexual they were having the second, is broken, for sure. But it was rarely made before the 1960s, at least not "officially"—and yet there was plenty of it about, especially among the masses on whom Victorian and other prodering its almost everywhere.

It has also inserted itself into numbers of calls—some 50,000 conversation everywhere.

The heterosexual they were having the second, is broken, for sure. But it was rarely made before the 1960s, at least not "officially"—and yet there was plenty of it about, especially among the masses on whom Victorian and other prudery made little dent. Rich, indicately among the masses on whom Victorian and other prudery made before the 1960s, at least not "officially"—and yet there was plenty of it about, especially among the masses on whom Victorian and other prudery made before the 1960s, at least not "officially"—and yet there was plenty of it about, especially among the masses on whom Victorian and other prudery made before the 1960s, at least not "officially"—and yet there was plenty of it about, especially among the masses on whom Victorian and other prudery made before the 1960s, at least not "officially"—and yet there was plenty of it about, especially among the masses on whom Victorian and other prudery made before the 1960s, at least not "officially"—and yet there was plenty of it about, especially among the masses on whom Victorian and other prudery made it there was plenty of it about, especially among the masses on whom Victorian and other prudery made it the profession of the agent prudery made before the 1960s, at least not "off



First and last instance

John Donaldson, is not the only senior judge who is tackling the prolitities of legal proceedings in appellate courts. The House of Lords has now weighed in to dissuade disputants who choose to litigate at length—very often all the way up to the House of Lords—simply about where they should conduct their litigation.

In Spiliada Maritime Corpora tion v Consuler Lid the Law Lords have put down a marker to indicate the unwillingness of appellate courts to allow parties o indulge their litigious appetites. The recipe for the future is that the court of first instance is pre-eminently the place to test the merits of trial in England, as against litigation abroad. And that should be the end of the road, both in the interests of the parties and the need to curtail the expansive procedures which we can no onger afford

Where the initiator of legal proceedings is entitled to begin his action in England, the courts here will stop him in his tracks only if his opponent can satisfy the court that some other available forum for resolving the dispute is the more appropriate. Where, however, the initiator can bring his action only by leave of the court, it is he who must satisfy the court that England is the more appropriate place to have bis action tried. Whatever rea-sons may be advanced in favour of a foreign court trying the case, the plaintiff should be allowed to pursue at home an action over which the English court has jurisdiction if it would be unjust to confine him to the more limited remedics The instant case involved a

The instant case involved a bulk carrier, managed partly in Greece and partly in England. The vessel flew the Liberian flag and was owned by a Liberian corporation which claimed that the cargo of sulphur, loaded by a shipper in Vancouver and carried from British Columbia to ports in India, had been damaged, Both sets of insurers were English. sets of losurers were English.

The factors which the courts have taken into consideration whether one forum is to be preferred to another are legion. And the case-law on the sublect is anything but helpful, where in the middle of the
In the present case, the shippers preferred the Canadian All systems have their virtues
courts because the limitation and their vices, and no doubt



with each other to attract or plaintiffs. distract the court in looking for indicators of one solution rather than another.

The key to the solution lies in the underlying principle.
The judges have to consider where the case may be rried of justice." The application of that principle in relation to advantages which the plaintiff may derive from invoking the English jurisdiction focuses on four major factors: damages are swarded on a higher scale in England than in most other countries: apart from the United States, there is a more ample procedure for the dis-closure of documents in the English system: a power exists in England to award interes; on the damages awarded; and there is a more generous law of limitations with regard to the period in which an action must be brought. Deprivation of some of these adjustages will

some of these adjuntages will having it read in excess in not deter the English court from telling the plaintiff to try his luck elsewhere, so long as the court is satisfied that substantial justice will be done

Perhaps the most telling factor is currently the discovery of documents. There is a spectrum of systems of discovery applicable in a variety of jurisdictions, ranging from limited disclosure available in Western European countries, to England are exhibiting their Western European countries, to the ample — some would say excessively generous — procedure for discovery in the US. The English system lies some-

of the country's litigating citizenry. But no justice is done if a party is, in effect, compelled to accept one of the wellrecognised systems applicable in

the overseas courts.

This contrasts sharply with the approach currently adopted by the United States courts. Judge Keenan in the District Court of the Southern District of New York, in May of this year, ordered a stay of pro-ceedings, commenced on behalf of Indian victims of the Bhopal disaster against the Union Carfavourable to their cause. The shipowners and their insurers thought differently. Other cases mit itself before the Indian courts to discovery under the about which optimistic and gloomy assessments of expense, delay and inconvenience vie priate demands by the Indian mith each other to affect the priate demands by the Indian politicities.

This approach, of trying to get the best of both worlds, has never found attraction with English judges. Five years ago the Law Lords thought it right that there should be a stay of proceedings in England, where "suitably for the interests of the appropriate forum was all the parties and for the ends Switzerland, even though the plaintiffs were thereby denied the advantage of the more ex-pansive English procedure of discovery of documents in a

fraud case. Lord Goff of Chieveley has given the coup de grace to future legal arguments over where litigation should take place. Lord Templeman was altogether more drastic in pre-scribing the remedy for longwinded proceedings to decide the venue of litigation. He re-commended that trial judges should fully digest Lord Goff's speech in Spiliada in the quiet of their rooms, and thus with-out expense to the parties in

Every day now, judges in England are exhibiting their awareness of the virtues of restricted oral advocacy and of slimming down the process of litigation. The European legal systems, with their heavy reliance on written briefs from the parties, and limited amount of

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December, 1986

Financial Times

ARCHITECTURE AT WORK

1986 Award for Industrial and Commercial Buildings

The Award

The Financial Times Architecture at Work Award for 1986 has been given to the **Megget Reservoir and Control Building**, near Selkirk in Scotland, and the assessors wish to include in the prize the white fower spillway that sits in the lake, the stilling pool, the dain itself and the whole composition of the giant landscape of the scheme.

The stone and steel entrance gates, the portal in the hillside that leads to the waterpipes to Edinburgh and the entrance to the Control Building are all consistently carried out in a well-composed development and enlargement of the local drystone wall vernacular. The Control Building is below the surface of the dam which allows the dam to be the major element in the landscape and permits wildlife and plant life the same opportunity to colonise the valley as it had before.

The Control Room is itself very well designed and is connected to the elegant white tower by a blue tunnel and in the other direction down to the very effective (literally and in landscape terms) stilling pool, whence the burn proceeds down the valley.

All the elements combine together to contribute and respond to the large scale of the lake and the beautiful surrounding landscape; good in the detail of their design, and good as the parts of a bold whole. The assessors are happy to give the Award to this scheme.

In 1986 the assessors were architects Edward Cullinan and Richard Rogers (until August) with Lord Gibson as the layman.

Megget Reservoir and Control Building, Capperslauch, Sellint, Scotland

Architect: W.J. Cairns & Partners
Engineer: R.H. Cuthbertson & Partners
Client: Lothian Regional Council
Contractor: Whetlings (Clvli Engineering) Ltd



Lennox Wood, Southwater Business Park, Horsham, Sussex

Architect: Michael Aukett Associates
Engineer: Anthony Hunt Associates
Client: Sun Alliance Insurance Group
Contractor: IDC Limited

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J Sainsbury plc, Supermarket, Kingsmead Road,

Architect: Ahrends Burton & Koralek Engineer: Ernest Green & Partners Client: J Sainsbury plc Contractor: Wiltshier Ltd

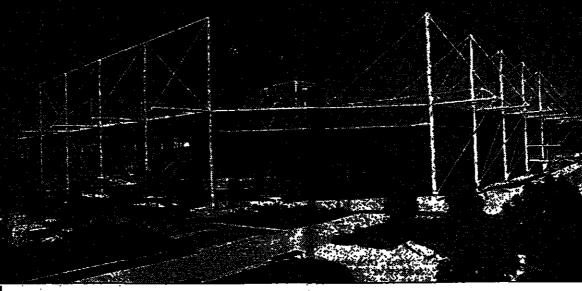
Link Centre, Whitehill Way, Westlea, Swindon, Wiltshire

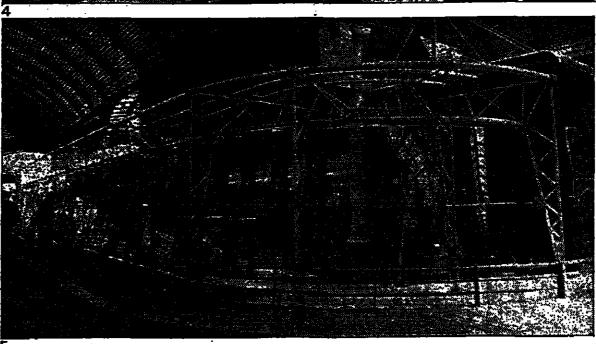
Architect: Thamesdown Borough Council, Architects Department Engineer: Anthony Hunt Associates Client: Thamesdown Borough Council Contractor: Bovis Construction Limited

Newcastle Travel Centre, Central Station, Newcastle-upor Tyne, Tyne and Wear

Architect: Regional Architect's Office, Chief Architect's Department, British Railways Board, York Engineer: Regional Civil Engineer, British Rail Eastern Region Client: British Railways Board Contractor: Shepherd Construction Ltd.







Commendations

The Link Sports and Social Centre in Swindon is commended for its asymmetrical composition of many varied elements under the great canopy of a suspended, rectangular and mono-planar roof. The skill and high speed with which the building was designed and built is reflected in the infectious enthusiasm of its occupants, which extended as far as push-starting the jury's car swiftly and effectively at the end of their

The reason that it was not given the prize is partly a result of this very quick pace of design, construction and occupation, resulting in a certain amount of rather inconsistent detailing and some clumsy junctions.

The assessors also commend the Sainsbury's supermarket at Canterbury for its powerful external roof structure of silver masts, spars and ties, both well designed in its own right and as a complement to the Cathedral. This lovely roof structure also serves to make an excellent elevation along the main front and is completed by the addition of a very elegant tensioned pedestrian canopy. However, the assessors were a little disappointed by the other sides of the building which actually form fronts to other roads in the town, and the interiors of the service areas were poorly detailed and finished.

But the commendation stands firmly on the notable achievement of responding inventively and elegantly to a numinous environment without the pastiche so often favoured by supermarkets.

The Sun Aliance building at Lennox Wood, near Horsham, is commended for its calm, almost Palladian quality in the landscape of a major new public park, including its delightful use of the old device of the 'ha-ha.' The building also has smart and comfortable interiors and provides an excellent working environment.

The realisation of the simple cross structure of the building is more suited to its glass elevations than to its opaque ones and it has some difficulty going round the corners of the L shaped plan: but the building serves as a fine example for future Company Headquarters in country or suburban settings.

The assessors also wish to commend one further building, which in some senses is not a building at all, but a clever insertion. The Newcastle Travel Centre is placed plumb in the middle of the restored 19th Century railway station. It has neither the somewhat temporary quality of so many of the post-war insertions into our great stations, nor does it seek to repeat or copy the station itself; rather it is its own bold, tensile and joyful self, in scale with and a complement to the fine building in which it sits.

The Financial Times wishes to thank all the entrants for the time and trouble they took and to encourage them and the sponsors to keep up their high standards.

For a free copy of the illustrated Award brochure send a stamp addressed A4 envelope to: FT Architecture Award Brochure, Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY.

Andrew Clements

It has not been a good year for Brecht on the musical stage
— Scottish Opera's Mahagonay and the National Theatre's collaboration of Brecht with Threepenny Opera do not leave many cherishable memories. But in the concert hall things have been much brighter, and Dagmar Krause's compilation of songs by Weill and Eisler at the Elizabeth Hall on Friday, until the title "Supply and Demand," was the brightest of all.

gramme gives as much weight to Eisler as Weill: rightly so, for the much more extensive collaboration of Brecht with Eisler is only beginning to be recognised in Britain as of comparable importance to the partnership. The tunes may not be so catchy, but the lyrics the Elizabeth Hall on Friday, until the title "Supply and Demand," was the brightest of all.

Krause's background has a polygiot component that suits this repertory perfectly: might recall the late-Lenya beginnings in Hamburg night sound that has become synony-clubs, a gradual drift into Krause's background has a

beginnings in Hamburg nightclubs, a gradual drift into
progressive rock and experimental music with the likes of
Henry Cow, Robert Wyatt and
Michael Nyman, and in recent
years the evolution of the
Brecht evening she presented
here. At a time when a number of rock musicians have
attempted to colonise Weill,
Krause's directness is immensely
effective. She's faithful to the
notes, sings almost all the
correct pitches, yet still
manages to inject more fire and
fervour into the lines than any
of those who treat the musical
texts with reckless abandon.

If Milva's show at the Almeida earlier in the year
represented the chic stylisation
of Brecht, Krause is her precise antithesis; waif-like in her
stage Image, with jerky, nervous
gestures that manage to comhine transports of the sound that has become synonymous with much of Weill, but
it is only one element in a wide
range of colour applied on merit
to each song. Too many memorable performances to list in
detail, but Eisler's "Song of
the Moldau." "German Misere"
and "On Suicide," as well as
the programme, two songs from
Eisler's exquisite Songs about
Correct pitches. yet still
"Barbara Song" and a version
of "Surabaya Johnny" that
dragged the last ounce of
pathos from the lyrics in a
totally unsentimental way. She
was accompanied by a distinguished instrumental trio of
Dave Heath, Danny Thompson
and John Harle; Krause's
compilation is aiready available
on record, and if it captures
just a quarter of the magnetism
for the mother in a wide
to each song. Too many memorable performances to list in
decatill, but Eisler's "Song of
the Moldau." "German Misere"
and "On Suicide," as well as
the molly non-Brecht settings in
the programme, two songs from
Eisler's exquisite Songs about
tore cycle, were perfectly
caught. as were the Weill
"Barbara Song" and a version
of "Surabaya Johnny" that
for all the correct pitches.
The Moldau." "German Misere"
and "On Suicide," as well as
to exquisite songs about
tore cycle, were perfectly
caught. as were the Weill
of al gestures that manage to com- just a quarter of the magnetism bine toughness with vulner- of her live performance it will ability. Her hour-long pro- be totally compelling.

John Lill/Barbican Hall

Dominic Gill

time survey of the complete Beethoven piano sonatas (there

have left disappointed.

Taking the opening two-octave leap with the left hand alone, as it is scored, is always a good sign—it establishes the element of risk that the performer is prepared to take from the start. And from that gesture, too, uncurling like a spring, Lill established a relentless forward momentum, surging without momentum, surging without hesitation to the movement's final page. It was a most impressive beginning, articulated with the greatest clarity, which with the greatest classify, which broke like an immense wave, and then withdrew, leaving the scherzo to emerge fresh and crystalline, delicately super-

charged.
Lill's account of the Largo of op. 10 no. 3 was one of the best things in the opening recital of his series; and likewise the great slow movement of the Hammerklavier—the sub-

John Lill's continuing lunch- lime and majestic hub around which all else revolves — had fine dramatic presence, and a lyrical unfolding of remarkable are three more recitals to come, on December 5, 9 and 12) arrived at the Hammerklavier on Friday. A large and enthusiastic audience arrived too for the event; and they will not have left disappointed.

Taking the opening two-octave leap with the left hand alone.

Taking the opening two-octave leap with the left hand alone. was restrained without ever seeming constrained; a real adagio sostenuto delivered with perfect expressive simplicity; the bell-like mezza roce of the last page was uncommonly haunting

Ideally, perhaps, I prefer a Hammerklavier finale that is a shade fiercer than Lill's, with more sense of struggle to it, and which proposes therefore a more titanic sense of resolution. But his performance had a powerful cogency none the less, and was never tame, though the resolution was calmer; and the clarity of the delivery was exceptionally potent — I have rarely heard a Hammerklavier fugue so clearly structured in which so many of the notes, at every level of the counterpoint, were so clearly audible.

gallery to house the Thyssen-December 4 to 6.
Bornemisza collection at the Villa Favorita, Lugano, Switzer-

* Rula Lenska and Dennis Placido Domingo returns to Waterman appear in a new

The Allied Irish Bank is The new gallery will house late 19th and 20th century art and will connect to the existing gallery which has a permanent collection of old masters.

Intermediate This Bank is sponsoring the Abbey Theatre Company's production of The Great Hunger by Tom Macanty and William Connect to the existing gallery which has a permanent collection of old masters.

FT Architecture at Work Award/Colin Amery

1986 winner achieved the right balance

This is the fifth year of the Financial Times Architecture at Work Award It has been another good one, although it is probably true to say that the crop of buildings represents a generally higher than average dedication to the raising of design standards in the work-place. Our jury. Richard Rogers (until August), Edward Cullinan and Lord Gibson, states clearly in its report that "they were encouraged by the care and quality that many companies are now seeking in their company headquarters." But this year the choice has not been easy as no one scheme stood head and shoulders above the others. For 1986 the jury has decided to commend four schemes and to give the Award to one unusual project that "is particularly inventive and re-sponsive to its environment." sponsive to its environment."

This year's winner is the Megget Reservoir and Control Building, near Selkirk in Scotland. It is much more than simply an architectural solution and the architects, W. J. Cairns and Partners, worked in complete partnership with the engineers, R. H. Cuthbertson and Partners, for their clients, the Lothian Regional Council.

The watery lowland valleys The watery lowland valleys of the Lothians demand sensi-

The Megget Reservoir, Selkirk, Scotland

is needed in the inner city and scheme, especially as it was everywhere that man's activi-clear to see that it was a highly ties dictate the shape of his successful venture - crowded

tive landscape treatment. In this scheme the dam is the major element in the landscape

and many of the necessary

control functions are carried out in plant rooms that are below the surface of the water.

The entrance to the site, the portal in the hillside and the entrance to the control building are all carried out in the local

rystone vernacular. By any standards the con-

side is sown with grass. The effect of this grassy curtain edged with planting is to soften the dam's visual impact. The

draw-off and overflow tower visible at its top was also liked by the jury, who felt it had a kind of simple modern elegance. But it has to be ad-

mitted that the greatest achievement of this huge

environment.

The FT Award was founded to promote a higher level of environmental concern in all kinds of places where people work. The care the architects and engineers have taken at the Megget Reservoir makes it a very watthy winner of the struction of the reservoir was a major project, costing some £48m. Work started 10 years ago to build the highest impounding embankment dam in Scotland which, now finished, is more than 180 ft (56 metres) high and stretches for a third a very worthy winner of the of a mile across the valley.

The face of the dam on the upstream side is faced with rock and on the downstream

A sports centre, an office building, a supermarket and a railway building are the four projects commended by the jury. The West Swindon Leisure Centre, now known as the Link Centre, was designed by the Thamesdown Borough Council Architects department, with

Anthony Hunt as the engineer.
It contains a remarkable
number of disparate activities
and this is reflected in the somemitted that the greatest and this is reflected in the someachievement of this huge
engineering scheme is that it
achieves a balance with its
immediate environment. It is
the care that has been taken to
combine all the large-scale elements and relate them to the
surroundings. They are good in
the details of their design and
the details of their design and
surroundings. They are good in
the details of their design and
this is reflected in the somewhat agreeably ad hoc nature
of the architectural solution.

The county council provided a
library, offices for trading standards as well as social services
council provided an ice rink, a
surroundings. They are good in
the details of their design and
this is reflected in the somewhat agreeably ad hoc nature
of the architectural solution.

The county council provided a
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The county council provided a
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The county council provided a
number of the architectural solution. composition. for the arts and crafts. There
The main reason for this are also a large number of
scheme winning is because of its rooms for social clubs, meetings

Petteri Salomaa/New Zealand House

Andrew Clements

The distinguished line of Salomaa's is not at all like that; But two groups of songs to of histrionics, lifted what are

and energetically used but and energetically used but standing up to all comers. The materials used and the bright colours contributed to a vigorous place and one clearly enjoyed by those using it. It was not awarded the prize because the speed of construc-tion did seem to have led to some inconsistencies in details and junctions.

In Canterbury the assessors were favourably impressed by the lively design of the Sainsbury's supermarket. This was

At Cauterbury the architects have succeeded in creating an elegant roof structure that the jury considered to be a complement to the cathedral. The store looked brilliant and Arts news in brief...

Baron Thyssen has announced Prince Siegfried in three perthat the design submitted by British architect James Stirling Swan Lake, at the Palace has been chosen for the new gallery to house the Thyssen-

mundane building type on a sensitive city site which won the jury's respect—in particular the decision not to adopt the historical pastiche too often favoured by supermarket designers.

The Sup Alliance office build-The Sun Alliance office build-

ing at the Southwater Business Park in Lennox Wood, Horsham, Sussex, was designed by Michael Aukett Associates, with Anthony Aukett Associates, with Anthony Hunt Associates as the engineers. It stands in a dramatic setting — a new count? park created from a derelict brickworks with some beautiful lakes. Because it is a high security company building, full of computers, a solution had to be found to the siting that would both protect and enhance the premises. the premises.

The solution was a tried and

tested one for country houses, a pavilion set on a plateau with a ha ha around it to conceal the discreet security fencing.
A simple steel framed structure with external brise-soleil makes for an elegant, simple and well for an elegant, simple and well detailed pavilion. The jury considered that it made for "an excellent working environment." The views from the offices are good and the device of a top lit central spine to the building does bring light into a deep plan set of offices. The environment of large computer suites is not easy to design. Here it is well done.

A small addition to an existing major railway station wins

A small addition to an existing major railway station wins the fourth commendation of the jury. It is at Newcastle and is a new Travel Centre, designed by the British Rail regional architect working from the chief architect's office in York. As a solution it deals with a lot of problems that York. As a solution it deals with a lot of problems that occur frequently. Newcastle Central Station is a Grade II* Listed Building, dealgned in the late 1840s by John Dobson. It has immensely long curved platforms and apparent acres of cast-iron arches. The Travel Centre is designed as a contrast to the 19th-century station and had to fit within a height restriction to preserve the profile of the Victorian roof.

The jury liked its independ-

The jury liked its independence and simplicity in the the result of a competition and was designed by Ahrends, Burton and Koralek with the engineers Exnest Green and Partners. It is a powerful representative of an organisation keen to raise architectural standards for a type of bulding which is, by its nature, difficult to fit in to the environment.

At Cauterbury the architects and simplicity in the detail of the glass and structure, feeling that the centre, "has neither the somewhat temporary quality of so many post-war insertions into our great stations, nor does it seek to copy the station itself; rather it is its own bold tensile and a complement to the fine building in which it sits." ing in which it sits."

It has been an excellent year for the high general level of architectural quality. The jury looked at all types of new buildstore looked brilliant and sparklingly clean when the jury visited it. The members considered the outside to be a powerful and elegant design. Some reservations were expressed about the less attractive rear elevation and the rather ordinary back-up and staff areas of the shop. The high standard of the design of the main elevation and roof did not, in the jury's view, extend to all message is clearly understood by those starting up small ings from starter units to large-scale science parks. From

A Mouthful of Birds/Royal Court

Michael Coveney

Dionysiac ecstasy is easily interpreted as hysteria emanating from a cult of violence. In the past two decades, the orginstic impulse has been claimed as a mode of free theatrical expression. Now Joint Stock, in this fascinating cabaret, scripted by Caryl Churchill and David Lan, directed by Ian Spink and Les Waters, grapple with the underside of urban aspiration while risking total poetic resettlement of Euripides.

Nobody who has complained about old-fashioned textual values and naturalistic settings at the Royal Court can complain about this. The tree on

plain about this. The tree on which Dionysius catapulted Pentheus to rocky oblivion is built into a split level design (by Annie Smart) where a bored telephonist, an acupuncturiet telephonist, an acupuncturiet telephonist, an acupuncturiet telephonist and acupuncturiet telephonist. bored telephonist, an acupuncturist, a swinging vicar ("I
don't believe God is necessarily
male"), the weight-lifting
unemployed and the betrayed
secretary make their excuses
and levitate. Forming a Plna
Bausch chorus line of scratching, fiddling and ear-pulling
gestural uniformity, they are
possessed and transported to a
stranger plane of existence.
Miss Churchill in particular
is pushing her switchback, sex
change, political style of Top

change, political style of Top Girls and Cloud Nine into a new dimension, taking on board per-formance art and new dance patterns as well as the classic repertoire.

The Bacchae is a great play and underskirt. The inhabitants that changes colour every day. reassess their lives and re-form, Dionysiae ecstasy is easily again in imitation Bausch, for a interpreted as hysteria emanat-

routine. The already famous pig ballet The aiready famous pig baller shows the domestication of a sexy porker by a foreign busi-nessman: "Pig O' My Hearth" perhaps, but an ingenious extenuation of Euripidean bestial reference and transformation. The pig conks out and is resusciated (cured ham, no doubt) and, picking up a table in his teeth, seems anxious to prove these are gnashers of bacon. The interlude is a delight, brilliantly executed by Philippe Giraudeau and Stephen Goff. tenuation of Euripidean bestial

Goff. The dismemberment of Euri-pides corresponds to the dis-memberment of Pentheus by his own mother, that scene moulded into scenes of psychic revenge, reports of casual mutilation, urban madness and knife attacks. The curative powers of alternative medicine, magic and social commitment, are inventively mocked.

The production, noticed here by Martin Hoyle when pre-miered at the Birmingham Rep, is odd but compulsive and, above all, it is performed with quite tremendous conviction and eclat. A reading of the script (£1 from Methuen) is recommended. But so is your partici-pation in an event that, for all pation in an event that, for all its maddening opacity, is in fact a genuine experimental departure of physical bravery and intellectual validity. The other actors, all excellent, are Tricia Relly, Dona Croll, Christian Rurgess (unemployed Derek and A rape becomes a maternal cuddle; a son becomes a rapist. Dionysius, a household god, is seen tumbling through a window frame in dread locks in the cuder and a rapist. Relly, Dona Croll, Christian Burgess (unemployed Derek and transvestite Pentheus), Vivienne Rochester and Amelda Brown.



Philippe Giraudeau and Stephen Goff

The Bernoulli Effect/Oval House

Martin Hoyle

cede that there are madder things to spend public money

As with their previous
"theatre piece," a futuristic and
stylish look at women in the
Stock Exchange, the company has the advantage of Julian Cripps striking set. White canvas covers the floor, its

responsiveness to the environment, achieving the right kind of balance between the mande and nature. It is the demonstration of the levels of care and control in the environmental interest as well as the engineering skills that made it a natural choice for the Award.

Tooms for social clubs, meetings pressed about the less attractive and environmental and the rather ordinary back-up and staff architecture and environmental carefulness also means good architecture architecture and environmental carefulness also means good architecture architecture and environmental carefulness also means good architecture architecture archi

successfully). The activity in question is flying. The Ber-noullis were a family of mathematicians and inventors who discovered the principle of aerodynamics a century and a-half ago. The first part of the 60-minute show consists largely of suspended figures rising, falling and swinging. Speech is confined to monocanvas covers the floor, its scalloped edge drawn up in irregular shapes against the back wall, one great batwing outline pulled taut overhead.

Three stalwarts of the company are joined by two new faces and three musicians for a slightly muted exercise on the themes of gravity and flight. Birte Pedersen, who also directs, no longer comes on like

Obituary/Cary Grant

Copers to a broken redio, as part of the hunchtime concert series for the bunchtime concert series for the Well Street area. [Mom. 12.15]. (Well & Nassau Sts. 208 0320).

WASHINGTON

National Symphony (Concert Hall): James Comion conducting, Daniel Sarenboim plano, Rudolf Firumy planon. Beethoven, Stravinksy, Ravel (Thel): Charles Dutoit conducting. Florence Quivar mezososprano. Kenneth Flegel tenor, John Cheek basa, Terry Cook basa. All-Berlioz programme. Kennedy Topic Charles Dutoit on Cheek basa, Terry Cook basa. All-Berlioz programme. Kennedy Contestra Hall): Erich Leinadorf conducting. Dale Clevenges born. Mozart, Rindemith, Mozart. Ravel, Chahrier (Thur). (435 8111).

TOKYO

Interlink Pestival of Contemporary Massic. Compositions by American composers flavvey Sollberger, Terry Riley, Lee Breuer (Mon), Manio Devictorsky, Roger Reynolds, Hard Marien Dietrich. Chall, Mall Millom Blug, Yusabi. The faste that befalls so many male romantic leads—becoming animated Glores-becoming animated Glores-become of Market. Plane Riley Leads. The faste that befalls so many male romantic leads—becoming animated Glores-become of Marien Rougel; For Periodovsky, Roger Reynolds, Hard Marien Dietrich, on ser Ginza (SS 3151; 227 1990). Mertid Hall, Millom Blug, Yusabi. The faste that befalls so many male romantic leads—becoming animated Glores-brosses or glorated clothes-brosses or glorated eccords—every befell Grant Johannesses planon Reihard Sortomme violin. Warren Lash cello, David Shiffin clarinet Waber, Rachmanisco, Debusy, Ravel (Chel; Grant Johannes-en planon recital with Art Kawalhan viola, Timothy Eddy cello, Faire, Schumana (Wed). 67th w. of Bross-front Residuence of the Royal Princ. Residuence of th

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Arts Guide

Music

Brno Philharmonic Orchestra: Bee-thoven. Musikverein (Mon). Gwyneth Jones song recital with Geof-frey Parsons, piano. Schubert, Wagner, R. Strauss, Berg. Musik-verein (Wed). Musica Antiqua. Clemencic Consort led by Rene Clemencic. Musikver-ein (Thur).

NETHERLANDS

Rotterdam, De Doelen. Recital Hall: Fortune's Fire Late Song Ensemble led by Carl Shavitz, Inte, with Julian Pike, tenor, and Julia Hodgson, viola da gamba: Bartlett, Jones, Corkine, Greaves, Dowland, Ferrabosco (Mon). Concerto Rotterdam string ensemble conducted by Heinz Friesen, with Hans Roelofsen and Rudolf Senn, double bass: Bottesini, Rossini (Tue). (414 29 11).

Utrecht, Vredenburg, The Hague Philharmonic conducted by Heinz Wallberg, with Zino Vinnikov, violin: Dvořák (Tue). (31 45 44).

The Netherlands Chamber Choir conducted by Peter Philips with works by Philips, Byrd, Bull, Purcell, Mon in The Hague, Oud-Katholieke Kerk, Tue in Amsterdam, Waalse Kerk (1220–62 51 39).

Kerk (1020-0251 99).
Frontingen, Oosterpoort, The Netherlands Wind Ensemble and the Netherlands Chamber Choir under Lucas Vis: Wagemans (Tue). (131044).

LONDON hilharmonis Orchestra conducted by Bernard Haitink, Brahms, Royal

Festival Hall (Mon). (928 3191).

Daniel Barenboim, appearing in

Washington

Boyal Philbarmoule Orchestra con-ducted by Rurt Masur with Kyung Wha Chung, violin. Beethoven and Prokofiev. Royal Festival Hali

Prokofiev. Royal Festival Hali (Tue).

BBC Symphony Orchestra conducted by Sir John Pritchard with Dmitri-Alexeev, piano. Prokofiev and Shostakovich. Royal Festival Hali (Wed).

Lendon Philharmonic conducted by Sernyon Bychkov with Radu Lupu, piano. Panufnik, Mozart and Mendelssohn. Royal Festival Hali (Thur).

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Murray Perabia, piano, Beethoven, Bruckner (Thur). Lincoln Center (874 2424). The New Bel Canto (Federal Hall): Shelly Hirsch performs a mixed rep-ertoire, showing off a voice that ranges in sound from the Peking

November 28-Dec 4

Nigel Andrews

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The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official are interiors or finals. The sub-divisions shown below are based mainly on last year's timestable.

COMPANY MEETINGS.

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December 9-14
International Home Improvement
Techniques Exhibition — AMELBAT (01-439 3964) Paris

December 19-16
International Food, Pharmaceutical Processing and Package
Exhibition (01-236 2399)

International Furniture Fair (01-

621 1355) Hotel Inter-Continental, Wi

December 16
CBI/International Finance Corporation: Investment opportunities in developing countries (01-379 7400)
Centre Point, WCI

Cologne

Trade fairs and exhibitions: UK

Current
Royal Smithfield Show (01-235
4315 (until December 4)
Eurls Court

Lanuary 18-11

January 8-11
Holidzy and Travel Fair (021-780 4171)
NEC, Elemingham
January 18-15

Becember 24
International Trade and Services
Exhibition and Conference (01-727 1929)
Barbican Centre
December 3-5
Mining Methods Exhibition (0523
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December 9-16
January 19-18
Harrogate International Toy Fair
(01-726 6633)
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January 19-18 Congress/Tax Fair International Light Show (05884 658)

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Wembley Conference Centre
January 7-11

London International Boat Show
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International Agricultural Equipment Services and Technology
Exhibition (01-891 5061) (until December 2)

November 23-December 7
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Autumn and Winter Ready-toWear Fashion Fair—PORTEX
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Middle East Electronics Communications Show and Conference—MECOM (01-486 1951)

Wear Fashion (01.493 0212) Porto
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December 4-7
ICAF/LA 86—International Contemporary Art Fair (01.485 1851)
Los Angeles

December 8-13
International Chemical Industries Exhibition—INTERCHIMIE
(01-439 3964)

December 8-13
Support Support

Business and Management Conferences

January 13-18

December 1-2
FT Conferences: World Telecommunications (01-621 1355)
Hotel Inter-Continental, WI

December 9-11
FT Conferences: The twelfth
world banking conference (01621 1355) December 2

The Royal Aeronamical Society:
The Airports Act—its effect on the air transport industry and users (01-499 3515)

A Hamilton Piece, Will December 19

Hotel Inter-Continental, Will December 10

CBI: Finding money in Brussels (01-379 7400) Centre Point, WCI

Becember 34
British Venture Capital Association/FT: Venture capital finatical forum (01-621 1355)
Hotel Inter-Continental, Wi
December 4
Institute of Directors: Effective remuneration, current practice

(01-499 3515)
Becember 10
Business Briefings: New working patterns (01-381 1284)
London West Hotel, SW6
Becember 11-13
FT Conferences: World pulp and paper conference (01-621 1355)
Hotel Inter-Continental, Wi

Institute of Directors: Effective remuneration, current practice —future trends (01-839 1233)

116 Pall Mall, SWI

December 5
The Institute for Fiscal Studies: Managing strategic decision making (01-235 0246)

The Future of European Community Finance (01-836 3784)

Park Court Hotel, W2

December 16

CBI/International Finance Cor-

December 5
IBC: Back office systems after
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Big Bang (01-236 4080).
The City Conference
Centre, ECS

December 8
IRC: Accessing the US equities
market (09323 55244)
Inter-Continental Hotel, W1
December 3-9
Royal Institute of International
Royal Institute of Internati

Inter-composed Section 1986—lessons Affairs: Energy 1986—lessons from turmoil (01-930 2233)

Chatham House, SWI

December 9

The Institute for Fiscal Studies: Commercial property development (01-236 4080)

The Institute for Fiscal Studies: Commercial property development (01-236 4080)

London Press Centre, ECA

December 9
The Builder Group Building in January 21-22
The Builder Group Building in IBC: Control accounting and partnership (01-353 2300)
Hilton Hotel, W1

December 9-10

Gate Royal, W1 Tecember 9-10

Herember 3-10
Hawkedon Partnership: Subsea
Hawkedon Partnership: Subsea
Subsea; current and future
Subsea; current and future
Gapital Gains Tax (01-242 4111)
Heathrow Penta
Heathrow Penta

Anyone wishing to attend any of the above events is advised to telephone the organizers to ensure that there has been no change in the details published.

Parliament

leum Revenue Tax Bill, second reading. Norfolk and Suffolk Broads Bill, second reading. Debate on EEC documents covering emergency measures in the dairy sector.

Flord Oil Participations, INSULIDAR Mark Lane, EC. 10.48
Marking Engineers, 76 Mark Lane, EC. 10.48
Mitchell Cotts, Baitic Exchange, 14-20 St. Mary Axe. EC. 12.00
Stewart Naim, Birch-mod Drive, West. Heath Road, Hampstand, NW. 12.00
Thorps (f. W.), Sirmingham Camber of Commerce and Industry, 75 Harbourne Rd., Sirmingham, 3.15
Yan Disman's Land, Southempton House, 317 High Hoborn, WC. 12.00
BOARD MEETINGS—
Fleake Accounts—subject: financial management initiative. Witnesses: Sir Peter Middleton, HM Treasury and Miss Anne Mueller, Management and Personnel Office (Room 16, 445 pm).

Commons: Opposition debates on "the scandal of insider deal-ing" and "the misery of fuel poverty." Debate on EC docu-

second reading. London Dock-lands Railway (City Extension) Bill, third reading. Unstarred question on speech therapists. Select committees: Education, Science and Arts—subject: stu-Witnesses: Wandsworth Health Authority and Dudley Health Authority (Room 5, 4.30 pm). WEDNESDAY

Commons: Opposition Day debate on the need for a select committee of privy counsellors

TODAY deterrent.

Select committee: Public TOMORROW

ments relating to the multi-fibro arrangement.
Lords: Minors Contracts Bill,

dent awards, Witnesses: Education Department officials (Room 15, 10.45 am). Parliamentary Commissioner for Administration—subject: reports of the Health Service Commissioner.

to oversee the security services, followed by a debate on defence. Late debate on EC document relating to research

and technological development.

Lords: Debate on Britain's

case for retaining the nuclear

Services Agency (Room 19, 11 services Agency (Room 19, 11 am). Employment — subject: the work of the department of Employment group. Witnesses: Lord Young, Employment Secretary, and Mr Renneth Clarke, Paymaster General (Room 8, 4.15 pm). Social Services - subject: primary health care. Witnesses: British Medical Association: Pharmaceutical Society of Great Britain (Room 21, 4.15 pm). Environment — subject:
Property Services Agency.
Witnesses: Sir Nigel Mobbs,
Lord Chancellor's Department
and officials (Room 20, 430

THURSDAY Commons: Remaining stages of the Advanced Revenue Petroleum Tax Bill. Motions dealing with Northern Ireland

Commons: private members'

PENDING DIVIDENDS

Seridale
Stormaard
OIVIDEND & INTEREST PAYLIENTS—
Alfabone and Sons 0.25p
Ambrose lav. Tst. 3.55p
RSR Intni. 0.5p
Brewmaker 70.3p
Brugets Prods. 2p
Brugets Prods. 2p
CI Group 0.425p
Cot of Oxford 1st., 3p
Brugets Prods. 2p
Farnell Elecs. 1.3p
Farnell Elecs. 1.3p
Farnell Elecs. 1.3p
Farnell Whitler 4-botb 1987-92 24pc.
7-4pcbb 1987-92 23pc
Roupidong and Shaighall Sanking 573.04
Hookingons 2.75p
House of Leroes 3p
Korea Cevet. 8-box 1989 \$38.44
Norscot Hokels 1.32p
Machines 3p
Prodes 2p
France Cevet. 8-box 1989 \$38.44
Norscot Hokels 1.32p
Roupidons 3p
Prodes 2p
France Cevet. 8-box 1989 \$38.44
Norscot Hokels 1.32p
Roupidons 3p
Prodes 2p
France Cevet. 8-box 1989 \$38.44 Dates when some of the more important company dividence statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Announcement last	year."		
	Аппоипсе-		Announce-
Date	ment lest year	Date	ment last 1691
Assoc Paper		*Northern	
	Final 4.0	FoodsDec 3	Interim 4.25
IndsDec 10	Final 5.53	*Pilkington	
BOCDec 11	Interim 3.0	BrosDec 11	Interim 5.0
BTDec 11	Final 11.0	Polly PeckDec 2	Final 3.75
BassDec 4	Interim 3.75	RHPDac 12	Final 2.6
Charter ConsDec 10		Rothschild (J.) Dec 17	intérim 2.2
Dee CorpDec 11	Interim 2.8 Final 3.31	*Royal Bank	
Dobson ParkDec 9	FIREI 3.31	ScotlandDec 4	Final 6.0
English China	First 7.8	*Sastchi and	
Clays.,.Dec 15	Final 7.0	Sastchl,Dec 4	Final 8.71
GECDec 2	Interim 1.4	Siebe	Interim 4.08
Granada ,Dec 11	Final 4.57	*600 Group Dec 4	Interim 2.34
Grand	_	Smith and	
MetropolitenDec 18	Final 6.0	NapheysDec 3	Interim 1.4
'Greenall		Stakis	Final D.8
WhitleyDec 8	Final 2.853	Tate and LyleDec 17	Final 14.5
GUSDec 12	laterim 7.0	*Trafalgar	-
Greycoat Det 12	interim 0.95	. HouseDat 1	Final 6.1
Hanson TrestDet 4	Finel 2.86	*Vaux	
Johnson		Wheason Dec 12	
MattheyDec 4	Interior 0.5	Wolverhampton and	
London Merchant		Dudley BrewDec 8	Intarim 5.7
SecuritiesDec 19	Interim 0.75	Board magting intim	
Mayer IndDec 9	interim 1.95	Issue since made. # Ta	
NorcrosDec 10	interim 2.8	isbue since made, 9 For	
LIAIRING TIMINITAGE IS			

defence capability, and the Select committees: Scottash Affairs — subject: hospital provision. Witness: Common

pm). Committee on Unopposed Bills — River Humber (Bur-com Outfall), and the Mersey Docks and Harbours.

business.
Lords: Recognition of Trusts
Bill, second reading. Ministry
of Defence Police Bill, second
reading. Broadcasting Bill,
second reading. Unstarred
question on Wytch Farm.
Select Committee: Agriculture — subject: effects of
pesticides on human health.
Witness: British Agrochemical
Association (Room 16, 10.45
am).

FRIDAY

'Announcement last	year."		
Date	Announce- ment lest year	Date	-édnuodinà- test trem 1694
Assoc Paper		Northern	4
IndsDec 10	Final 4.0	FoodsDec 3	Interim 4.26
BOCDac 11	Final 5.53	*Pilkington_	
BTDec 11	Interim 3.0	BrosDec 11	Interim 5.0
BassDec 4	Final 11.0	Polly PeckDec 2	Final 3.75
Charter ConsDec 10	Interim 3.75	RHP	Final 2.6
Dae CorpDec 11	Interim 2.8	Rothschild (J.) Dec 17	intérim 2.2
Dobson ParkDec 9	Finel 3.31	*Royal Bank	-
English China		ScotlandDec 4	Final 6.0
ClaysDec 15	Final 7.0	*Sastchi and	
	Interim 1.4	SearchiDec 4	Final 8.71
GEC	Final 4.57	SiebeDac 15	Interim 4.08
Granada ,Dec 11	Liugi +-01	*600 Group Dec 4	interim 2.34
Grand	Carl CA	Smith and	
MetropolitanDec 18	Final 6.0	NaphewDec 3	interim 1.4
'Greenall	Final 2.853	Stakis	Final D.8
WhitleyDec 8		Tate and Lyle Dec 17	Final 14.5
GUSDec 12	Interim 7.0	*Trefalgar	
Greycoat Dec 12	Interim 0.95	. HouseDat 1	Final 6.1
Hanson TrestDet 4	Final 2.85	*Vaux	Final 7.321
Johnson		WheasonDec 12	Final 3.0
MattheyDec 4	interies 0.5	Wolverhampton and	
London Merchant		Dudley BrewDec 8	
SecuritiesDec 19	interim 0.75	 Board meeting intim 	
Mayer IntlDec 9	interim 1.95	issue since made. ‡ Ta	
NorcrosDec 10	Interim 2.8	isbue since made. 9 For	ecust.
			

APPOINTMENTS

Burmah Oil finance chief

At BURMAH OIL Mr R. N. A. Mr John D. Elliott, chairman and chief executive of Elders from January 1 and will be joining the board. Peter T. Bartels, managing director from the end of 1981 until 1986, Mr Wood was chief executive of United City Merchants and was responsible for development of UCM's international businesses. In March he joined Dixons Group when the word of the property of the prope In March he joined Dixons Group where he undertook a special assignment as deputy managing director of the main subsidiary,

Mr Tony Odhams has been appointed sales director of the Superseal division of KLEE-NEZE. He was general sales manager.

Mr Robert P. Wilson, head of planning and development at RTZ since January 1985, has hiz since January 1985, has committee, in succession to Sir been appointed a director of Alex Jarratt. Mr Armstrong is THE RIO TINTO-ZINC COR. PORATION from January 1.

Mr John Sweet, currently managing some £450m as a sentor fund manager with the Prudential, joined BALTIC TRUST MANAGERS, currently managing £20m, on December 1.

DOYLE DANE BERNBACH
has appointed Mr John Ward as
strategic planning director and
promoted Mr Michael Bray as
client services director. Mr chent services director. Mr Ward was previously deputy chairman of Aspect Hill Holk-

Mr L. C. J. Brown, a partner in Pannell Kerr Forster, has been appointed a non-executive director of LONDON & ASSO-CIATED INVESTMENT TRUST.

Mr Leonard A. Bishop, Mr James Freer and Mr Frederick J. Gardiner have been re-elected directors of ASEE EXHIBITIONS. Mr C. (Sid) Royle was elected a director. He is currently chairman of the Association of Supervisory and Executive Engineers.

Ms Lynne Farmer has been appointed a director of SOLER TOURISTE, wholly owned travel subsidiary of UniChem. She was manager of the conference and incentives division.

Cr Federico A. Slinger has been appointed chairman of EURO-LATINAMERICAN BANK. EURO-LATINAMERICAN BANK,
London, and Mr Louis de Bièvre
has been appointed vice chairman. Cr Slinger is chairman of
Banco de la República Oriental
del Uruguay and Mr de Bièvre
is a member of the managing
board of Algemene Bank Neder-

Following completion of the sale of Courage by Hanson Trust to Elders IXL, the following changes to the board of COURAGE have been made: Mr Hendry have been appointed A. R. Cetton, Mr J. S. Mardirectors of TAYLOR WOOD-nominees of Hanson Trust—have resigned. Joining the Courage board, as chairman, is operations, the director and general manager.

Mr Alex Lawther becomes managing director, spring division. He was director and general manager.

Mr Tony Jarvis and Mr Brian

Hendry have been appointed as deputy fluence director. Mr John Griffiths, who joined the executive staff in September 1985, will become a divisional director and general manager.

board will be Mr Ken R. Mggins, group director, administration and snance of Elders IXL, and Mr Peter W. Jonson as sinance director designate. Mr Jonson joins Courage from his current rolle as genral manager, accounting, for Elders IXL. He will take up the post vacated by Mr N. M. Bryan who has resigned.

Mr Geoffrey Armstrong has been appointed chairman of the CONFEDERATION OF BRITISH INDUSTRY'S employment policy

currently om as a man of T. I. P. EUROPE, parent with the BALITIC subsidiaries throughout Europe, and recently the subject of a £60m management buy-out from the Gelco Corporation of the US.

Mr David B. B. Smith is to be the new chief executive of DUNFERMLINE BUILDING SOCIETY. He is deputy chief executive, and takes over from January 1 following the retirement of Mr Walter Hutchison. Mr J. M. (Ian) Glover, secretary of the society, is to become of the society, is to become deputy chief executive. Mr Kenneth W. E. Cowe, currently general manager (finance), also asumes the duties of secretary.

Mr Anthony Sweeten has been appointed managing director of T. S. HARRISON AND SONS in succession to Mr J. B. Hender-son. Mr Sweeten was works

Mr R. N. Bowes has been appointed a non-executive director of MORGAN GRENFELL GROUP. He is a director and deputy chairman of Willis Faber. Following the acquisition of

Jetsave by the Greyhound Corporation the JETSAVE board is now as follows. The chairman is Mr Ron Blakey, vice-president and managing director, Grey-hound Lines International. The other directors are Mr Chris Smart, managing director; Mr John Standley, sales and marketing director; Mr Martin Johnson, financial director (who is also financial director, Greyhound Lines International); Mr Geoff Medhurst, operations director; and Mr Michael Harding, company secretary.

appointed managing director of SIMCARE. He returned to the UK from France in 1982 to Join Eschmann, where he was appointed managing director in 1985.

Mr Frank J. Jones has been appointed deputy chairman of TELFORD DEVELOPMENT CORPORATION from December 1. He succeeds Mr John Parry who has retired. Mr Jones is chairman of the Shropshire District Health Authority.

Mr Rugh Lang, chairman of P-E International, is to join the board of B. ELLIOTT on December 1 as a non-executive director. Mr Lang is also deputy chairman of the Design Council.

Mr Robert S. Einzig, vice-president and treasurer of Transamerica Corporation, has been appointed a non-executive director of SEDGWICK GROUP.

BANQUE BELGE, has appointed Mr David Britton as a director of the bank. He will retain responsibility for foreign exchange and treasury activities in addition to his nonexecutive directorship of the bank's subsidiary, Quin Cope.

Mr Anthony W. More has been Mr Anihony W. More has been appointed general manager of THE NATIONAL COMMERCIAL BANK OF SADI ARABHA'S new London branch which has full licensed deposit taker status. The following appointments have The following appointments have also been made: Mr Colin M. Brumpton — manager treasury and foreign exchange department; Mr Rodney G. Bath — manager credit and marketing department; and Mr Jinx Grafftey-Smith as European representative.

ACKROYD AND ABBOT has appointed Mr Barry Wildinson as managing director of subsidiary Eric C. Flower, Sheffield.

The TWIL GROUP has appointed Mr Dilwyn Scrivens as managing director, Tinsley Wire (Sheffield). He was director and general manager. Dr Eddie Veys is appointed managing director. Rylands - Whitecross. He was director and general manager. Mr Alex Lawther becomes man-aging director, spring division. He was director and general manager.

CORPORATION OF LONDON

器Barbican Centre

The Barbican Centre provides London with a major complex of Theatres, Concert Hall, Cinemas, Art Gallery, Public Library and Conference and Exhibition facilities. This prestigious complex is owned, funded and managed by the Corporation of the City of

CATERING CONTRACT

The contract encompasses 3 Public Restaurants, 1 Staff Restaurant, 11 Bars, 1 Wine Bar, Coffee Points, services to 2 Exhibition Halls and extensive function catering. Turnover in the year 1985/86 was circa £4.21m. The contract is for the provision of all catering services within the Centre for a five-year period commencing 6 January 1988.

The Corporation of the City of London will be inviting tenders for the provision of catering services. Established catering contractors should notify their interest in writing to:

The Director

Barbican Centre (CATCON)

Silk Street, London EC2Y 8D5

Contracts and Tenders



الجزاسر- ALGERIE

MINISTRY FOR ENERGY AND CHEMICAL

of Oil Products (NAFTAL)

National and International Notice of Sale of Equipment for the Construction of a Refinery

Fifty-six (56) Air Coolers and Accessories; Two (2) Transformers 60/5.5 KV and 29.2 KVA.

Companies interested in the offer can write to NAFTAL, Direction Etudes et Developpement 132, rue de Tripoli Hussein-Dey, Algiers, or Telex to 65415 or 65416 to obtain specifications and details of viewing conditions of the above equipment.

Offers for all or part of the various items must be sent in two sealed envelopes to the above address within six (6) months following the publication of this Notice. The outer envelope should be plain and should read: "Avis de vente No. 01/86 DED équipements de Raffinage. Confidentiel ne pas ouvrir.



AND PETROCHEMICAL INDUSTRIES National Company for the Refining and Distribution

NAFTAL is selling the following Refinery equipment: Eleven (11) Distilling Columns; Forty (40) Heat Exchangers and Water Condensors; All this equipment was designed and manufactured by Italian

THE MINISTRY OF EDUCATION IN THE YEMEN ARAB REPUBLIC

Invites offers for

Printing and reprinting school text books, supply of equipment and chemicals for laboratories, teaching materials, white and coloured chalks, school furniture sets for primary, preparatory and secondary schools.

Particulars for the Tenders/Documents for the offers are available at the Yemen Embassy, 41 South Street, London W1, upon a non-refundable payment of the equivalent of US\$100 for each part of the Tender. Bids will be received by the Ministry of Education, Purchase Department, until the 31st December, 1986, and will be opened in public at 10.00 a.m. Sana'a local time on the 3rd January, 1987.

CONTRACTS AND TENDERS appear every MONDAY

Notification to reach The Director by 12 December 1986

BUCKINGHAMSHIRE COUNTY COUNCIL SUPPLY OF TELEPHONE SYSTEMS

Tenders are invited for the supply of a number of SPC based telephone systems for installation at various County Council locations over a 12 month period.

Requirements vary in configuration but will not exceed 25 exchange lines and 200 excensions (for systems of greater size individual tender exercises will be undertaken). Invitation to tender documents

The County Secretary and Solicitor, Buckinghamshire County Council, County Hall, AYLESBURY, HP20 1UA. Tenders are to be returned by 12.00 noon on December 15th,

Legal Notices IN THE MATTER OF TESE ME LITD. AND IN THE MATTER OF THE CYPRUS COMPANIES LAW

CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-maned Company, which is being voluntarily wound up, are required on or before the 2nd day of Jacuary 1887 to send in their full hemes, their addresses and descriptions, full partroulars of their debre or claims and the names and addresses of their behre or claims and the names and addresses of their Solicitors (if any), to the undersigned Mr. Antony Hajirousses, FCCA, of Juha House, 3 Them. Dervis Serset, P.O. Box 1812, Nicosia, Cyprus, the Liquidstor of the said Company, and if so required by notice in writing from the said Liquidstor, ere, personetly or by their Solicitors, to come in and prove their debts or or in default thereof they will be excluded from the benefit of any distribution made before such debts ere proved.

Detect this let day of December 1986.

Dated this 1st day of December 1986. A. HAJIROUSSOS, PCCA, Liquidator.

COMMONWEALTH OF AUSTRALIA

Request for Tender

The Purchasing and Disposal Division of the Commonwealth Department of Local Government and Administrative Services is to dispose of Rolls Royce Messor angines and sparse. There are 110 of these V12 petrol engines for sale.

The Mensor is a derivative of the tamous Merilin sircrait engine.

Special tools, testing equipment and sparse for the engines make up 68 separate sale lots. Also on offer are Rolls Royce 880 and 840 engine sparse. Morris engines and aboves and David Brown Z51 gearboxss.

As the Commonwealth will never again self such equipment, this is the chance to buy the following unique equipment.

Group A = 2 Secreta 1998 5 tools of the commonwealth will never again self such equipment.

Group A — 2 Froude DPYR 5 engine test bed dynamometers Group B — 110 Rolls Royce Metsor MK 48 V-12 petrot engines Group C — 75 David Brown type Z51 mechanical gearboxes Group C — 15 David Brown type Z51 mechanical gearboxes Group D — 19 lots of Rolls Royce Metsor man engine spares Group F — 10 lots of Rolls Royce Metsor man engine spares Group F — 10 lots of Rolls Royce Metsor man engine spares Group G — 19 lots of Rolls Royce Metsor fuel system spares Group H — 10 lots of Rolls Royce Metsor fuel system spares Group H — 10 lots of Rolls Royce Metsor induction and cooling spares Group K — 10 lots of Rolls Royce Meteor clutch spares Group K — 10 lots of Rolls Royce Meteor clutch spares Group M — 10 lots of Mortis USRIMM MK 2/1 engine spares Group M — 10 lots of Mortis USRIMM MK 2/1 engine spares Group P — 10 lots of Rolls Royce B80 No. 1 MK SP engine spares Group P — 149 USRIMM MK Z/1 engines

Broup F — 149 USRIMM MK Z/1 engines

Broup P — 149 USRIMM MK Z/1 engines

Broup D — 14 lots of Rolls Royce Meteor spacial tools

All Items Can be inspected

Inspection

All Items can be inspected at:
Storahouse 35, 31 Supply Battation
Bandisha, Victoria
from 8th to 12th December, 1968.
Tender Closure
Tenders will close in Sydney, Australia at 2pm Eastern Standard Daylight Saving time on 20th January, 1987.
Tender offere will only be received in the tender booklet, copies of which are evailable at AS10 each from:
Sanior Trade Commissioner, Australian Trade Commission
Australia House, Strand, London WC28 4LA, U.K.

COMMONWEALTH OF AUSTRALIA

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY Telegrams: Finantimo, London PS4 Telex: 8954871 Telephone: 01-248 8000

Monday December 1 1986

Britain's EEC presidency

the Common Agricultural prevail in this field.

Policy, and swifter progress in scrapping national barriers to the Common Market, are very few to report.

prevail in this field.

One reason for the erratic quality of the British presidency has been the election of ministers chalring the respective of the common of the prevail of the prevail in this field.

Mrs Thatcher is pinning her hopes on two meetings this week to quicken the pace. The trade ministers, meeting in Brussels today, have a chance to approve a range of internal parket measures and the heads of Government of the member states could lend their weight to faster progress at their summit in London at the end of the week. However, really significant results at this late stage of the UK presidency are probably too much to expect.

Great fanfare

When the British Government took over the chair from the Netherlands in July, its ambitions were decidedly modest. Those who spend their lives in the hot-house of the 12-nation negotiations in Brussels know full well that the Community is not an organisation which can suddenly change direction, or produce startling new initiatives. Efficiency and diplomacy were to be the hallmarks of the British term in office.

Back home, however, there

has been a tendency to get carried away with public relations hype—the temptation to see the presidency as the chance to put one's stamp on Europe. A British initiative was launched with great fanfare to tackle unemployment, although it contains little more than familiar ideas. Much was made of the "rolling action programme" agreed with the programme" agreed with the Netherlands and Belgium (the next president) to co-ordinate 18 months' work to break the backlog of internal market barriers. There would be a new deal on airline competi-tion as a key part of the pro-

In the real world, the progress has virtually all been on other fronts: on the bread-and-butter of EEC life such as external trade negotiations, and the annual budget round; and on issues off the formal agenda, such as co-ordination of the against drugs and terrorism.

The tortoise-like movement on the internal market, in spite of redoubling the negotiating effort at official levels, has

One month to go in Britain's finally prompted Mrs Thatcher six month presidency of the to send a personal plea to her EEC, and its record so far looks fellow heads of government. Patchy. Achievements on the Without a determined political major issues of the Community lead from the top, vested agenda, especially reform of interests are always likely to the Common Agricultural prevail in this field.

tive council meetings. Mr Peter Brooke, for example, the Mini-ster of State at the Treasury, has excelled as chairman of the Budget Council. Mr Alan Clark, the Trade Minister, has on the contrary, proved to be a poor choice for the delicate diplomacy required in the Internal Market Council.

The selection of air fares as a key issue for progress has proved precarious: Mr John Moore, the Transport Minister (another well-regarded chairman), has had to compromise on earlier radical hopes in order to get anywhere near agreement among the 12. He may end up by allenating his domestic audience while per-suading his partners, with a deal that merely opens a crack in the air fares cartel.

In that case, the British have bent over backwards to be "presidential"and seek a compromise. In others, the Govern ment seems to have used its position in the chair to be blatantly partisan. In seeking support for the British break in diplomatic relations with Syria, for example, Sir Geoffrey Howe offended many of his colleagues by apparently seek-ing to steamroller them into

Realities rule

The lesson, thus far at least, is that careful preparation and diplomatic negotiation are much more successful than rhetorio— and EEC realities almost always rule in the end. Thus it is very unlikely that the farm ministers will take any dramatic decisions on CAP reform this year, with the West German elections looming just round the corner in January, and Chancellor Kohl anxious about

his farmers' vote.

Though dramatic progress cannot be expected, the British will nevertheless be passing on to their Belgian successors in January some solid groundwork on agricultural reform and the completion of the internal market. These two major issues must continue to dominate the Community's agenda until sub-

Undoing the greenmailers

NOBODY much has a good business, have failed to hold word for greenmail, the management properly account. American practice whereby a able for the stewardship of the corporate raider drops a takeover bid in exchange for selling a strategic shareholding thus been able to pursue size back to the potential victim for its own sake, which in turn back to the potential vicini for its own sake, which in turn company. Even the green-provides a justification for mailers do not care to admit to higher managerial pay and an activity that remains legal; and those who run the tion is too often the result; threatened company usually deconglomeration, under the support the greenmailers dis auspices of the corporate avowals because they dare not raiders, is one possible response admit that they are paying proto the problem.

tection money to save their The trouble with the argu-

several billions from American industry since the habit took root earlier this decade. They are also raising the odds in the closer to the corporate estab-lishment Sales of shares in the past formight by Sir James Goldsmith back to Goodyear than the greenmailer and are Tire and Rubber and by Mr left with an investment in a Ronald Perelman to the razor and consumer products group Gillette are estimated to have made profits for their respective consortia of \$90m and \$34m. The profits were, however, made at the cost of raising eyebrows in the US Congress. With Democrats now in

saddle large areas of American industry with more debt, while simultaneously reducing the amount of equity in issue. As Employee Retirement Income sancing Committee, has pointed out, this is bound to inhibit investment in capital equipment, research and training.

Whether that means that takeovers in general should be made more difficult to carry out, as some proposals now under consideration on Capitol Edition of Congress, under consideration on Capitol Capital Edition in the early stages of a bid because they are not constrained by any equivalent of America's and Security Act (ERISA).

With a very different regulatory tradition it seems unconginal problem lies partly with irresponsible ownership by investors, then there are plenty of ways in which the owners, as opposed to Congress, under consideration on Capitol Capital Edition in the early stages of a bid because they are not constrained by any equivalent of America's and Security Act (ERISA).

With a very different regulatory tradition it seems unconginal problem lies partly with irresponsible ownership by investors, then there are plenty of ways in which the out. under consideration on Capitol can respond constructively by Hill demand, is another matter. For if corporate raiders and That is the case for encouraging greenmailers have flourished the trend whereby institutional of late, it reflects a fallure of investors demand changes in ownership quite as much as company by-laws to prevent any flaw in the legal structure, greenmail payments. Unlike In so far as the corporate most victims of protection, raiders have a defence, it lies shareholders do not stand to in the assertion that shareholders, the real owners of the

business. The barons of industry and commerce have deconglomeration, under the

Jobs. ment is that so many corporate Yet the greenmailers are raiders are singularly reckoned to have extracted implausible saviours of the conglomerates in question, parti-cularly when they address re-latively well managed companies like Goodyear. And when raiding turns to greenmail, the owners are heavily penalised because they re-ceive less favourable treatment more heavily indebted company.

Legalistic habits

In Britain the worst excesses of takeover fever are avoided because the Takeover Panel's brand of self-regulation—which is, ironically, under increasing ing eyebrows in the US Congress. With Democrats now in charge of both houses, greenmail looks as likely a target for a draconian legislative onslaught as insider trading after the Levine and Boesky scandals.

Increased debt

This concern is understandable, for one of the chief consequences of the practice is to saddle large areas of American and large areas of American and the series of a bid because the samount of equity in issue. As senator William Proximite, the new chairman of the Senate Banking Committee, has pointed out, this is bound to inhibit investment in capital equipment, research and training.

Whether that means that while simultaneously reducing the samount of equity in issue. As Senator William Proximite, has pointed out, this is bound to inhibit investment in capital equipment, research and training.

INSIDER TRADING

Doubts as the dragnet widens

By Clive Wolman

THE OFFICIALS of the Department of Trade and Industry, regarded for six years as the Inspector Clouseaus of insider dealing, are suddenly causing anxiety in the City.

Armed with new, tough investigation powers, the DTI has extended its inquiry beyond the illicit dealings of Mr Geoffrey Collier, Morgan Grenfell's ex-securities chief, to other suspects. From the corporate financiers in the City's panelled lunch rooms to the market-makers on the dealing floors below, the rumours ebb and flow about those implicated by Mr Collier or by Mr Ivan Boesky, the disgraced US arbitrageur who carried out many trageur who carried out many of his deals through the UK. On Wall Street the atmosphere has been transformed by the downfall of Boesky and the widening investigations of the Securities and Exchange Commission (SEC) into the relationships between the takeover arbitrageurs, investment banks and corporate raiders. Normally ebullient dealmakers have withdrawn into silence and the

effect of a Congressional back-lash against takeovers is expected to bite in the new year. On both sides of the Atlantic, the crackdown is forcing the compliance officers of the securities houses to review their rule-books. Should corporate financlers consult their securities arms about an impending takeover bid? Should the com-panies involved in an impending bid be put on a "restricted" list to stop the market-makers and fund managers dealing in their shares—or would the list merely alert miscreants? It is legitimate to trade on rumour or partial inside information, like seeing a company's finance with a mergers and acquisitions

As public concern at insider trading and other forms of City fraud has increased over the past year, attention has focused on the role of the DTI: is it capable of emulating the recent success of the SEC? Its past record must leave this in doubt. UK insider dealers have so far had much less to fear from the regulators than their US counterparts. In the six years since insider trading was made a criminal offence, 110 cases have been referred to the DTI by the Stock Exchange—but only six have led to prosecu-tions against nine individual, all

of them described by the Ex-change as "small fish."

The DTPs problem is not a lack of activity to investigate; even Boesky considered London to be leakier than New York. In the first six months of 1988, according to the journal Acquisitions Monthly, the share more than 20 per cent in the four weeks before the first announcement that they were the targets of takeover bid.

fewer people than the SEC and greater legal obstacles. In addition, the SEC employs support teams of investigators prepared to pore for weeks through records of trading. private telephone calls, and bank accounts.

Since 1981, when Mr John Shad, the new SEC chairman, warned of a crack-down and warned of a crack-down and prosecutions against insider dealing, the young lawyers he unleashed have become ever more creative in their interpretations of the poorly-drafted securities laws which, unlike the UK's, fail to define insider dealing complicity. With one dealing explicitly. With one important exception in 1983, the SEC has been supported by the US judges, whose

particularly in the period before company announcement.

The most common problem

has been proving that the individuals who carried out the trades were acting on inside information. Because the UK's Insider Dealing Act is less ambiguous than US legislation, there is less scope for finding creative interpretations of the law to catch miscreants. Also the burden of proof in a criminal action is high and the rules of evidence and procedure constricting. A provision to allow civil actions to be brought against insider dealers was in-cluded in a 1973 bill but failed to make the statute book.
In the US, on the other hand,

How the insider dealer does it

THE would-be insider trader gets a job with the corporate finance department of a merfinance department of a mer-chant bank active in mergers

Always travelling via a third country, he visits two tax havens, Panama and Liechtenstein, which have resisted foreign pressure on their secrecy laws. In each country, he sets up a trading company and opens accounts in two or three banks in their names. He only uses banks with no operations or assets in the UK

He never tells the banks his

willingness to amend legal doctrines to fit new political pressures has not been matched any English judge since Lord Denning.

This support is about to be tested at the highest levels as the case of a Wall Street Journal columnist reaches the Supreme Court. The columnist, Foster Winans, is facing imprisonment for trading on 'inside" information in advance of publication of his column of company comment. By contrast, the DTI investi-

gators are almost entirely career civil servants. Both they, and two outside inspectors appointed in the Collier case, the first such appointment in an insider dealings probe, lack experience of the type of police investigatory work into fraud that is often required. The appointment of the outside inspectors reflects the DTI's new tougher mood Up until now, the Department has been struggling along with only two or three professionals to investigate the 110 cases referred to it.

surveillance department, al-though lacking some of the automated computer monitoring the purchasers of shares in the devices of the US exchanges, Santa Fe International Corpora-over the seriousness of the

when he picks up inside in-formation, he always trades alone using a call-box. Information-swapping rings have been out, ever since Levine and Boesky betrayed their con-tacts. He never trades in large amounts but may break up a transaction into a series of deals from different accounts. He aveids the mistake of trading just before a bid announcement — it makes the market-makers vengeful.

the SEC's energies are focused on civil actions, which require a lower level of proof. Since 1984 it has been able to compel offenders to pay a penalty of three times their illicit profits, even in a civil action.

The most serious obstacles confronting the UK's investigators are the offshore trading accounts and companies used by the larger dealers. Since 1980, about 50 investigations by the Stock Exchange or the DTI have ground to a half when they turned up nominee accounts where the account holder is not named in foreign banks or companies whose ownership is never disclosed.

The SEC has encountered fewer obstacles. Its greatest success in the 1980s has been in undermining the reputation of the Swiss bank account as the most confidential medium for illicit transactions.

In response to sustained pres-sure from the US, the Swiss sareed in 1982 to allow their Now that the political heat banks to disclose the identity of is on to give insider dealing customers suspected of insider probes a much higher priority The identification of sus-picious trades has not been an The SEC made further breaches obstacle. The Stock Exchange's in Swiss secrecy in 1984-85,

mouncement. Indeed, co-operation from the Swiss enabled the SEC to make one of its biggest catches yet, when a Bahamian subsidiary of when a Bahamian subsidiary of a Zurich bank, Bank Leu, revealed the identity of Mr Denis Levine, the Wall Street mergers and acquisitions specialist, arrested for insider dealing in May. The bank fingered Mr Levine after threats from the SEC against its operations in the US. The Bahamas government for its part agreed to waive its bank secrety laws and allow the Bank

secrety laws and allow the Bank Leu disclosure, even without any SEC application to its courts, because, it said, of the "peculiar and unprecedented circumstances of the case." The government of the Cay-man Islands, the other Caribbean tax haven penetrated by the US authorities, has taken similar action, waiving its bank secrecy rules in a 1983 tax case involving a Canadian bank. The Caymans has now signed an agreement with the US allowing real name but arranges for them to deal through a large London broking firm when-ever they receive coded in-

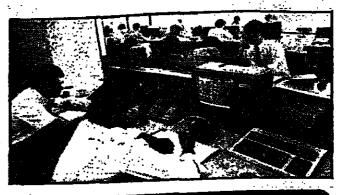
a limited exchange of The SEC's campaign has not proceeded totally without trustration, however. Despite the new more open attitude of the Swiss in some cases, Swiss bank secrecy has impeded two large investigations since 1984. Panams has resisted all attempts to breach its bank secrecy and many Caribbean money-launderers have set up in the South Pacific Islands of Nauru and Vanuatu

Nonetheless, the SEC's achievements highlight the SEC's passivity of the DTI. The new Financial Services Act will allow it to take sanctions against the London branches of any foreign-based banks that refuse to co-operate with insider dealing investigations. But US observers are sceptical about whether these powers will be invoked in view of the UK's traditional fear of damaging London's status as an offshore banking and Euromarkets centre.

And in the case of third countries, where the SEC has made important advances, the DTI has failed to exert the pressures at its disposal. The Cayman Islands, in which Mr Collier's dealing company was based, has an information agreement with the US but not the UK even though it is a British dependancy. And many insider deals on the London Stock Exchange are carried out through the Channel Islands and Ise of Man which ought to be equally vulnerable to UK pressure.

in the UK—the Collier case have sold even without him.

prompted the Government to One of the leading US and surveillance department: "The give the DTI new tougher alysts of insider dealing, Henry smart thing would have been to



Checks on insider dealing

The DTT's chief handicaps are keeps a close watch on unusual tion just before a merger SECURFTIES FIRMS: • Monitor compliance by employees ever people than the SEC and movements in price and volume, announcement.

customers Sanctions: (1) Dismiss an employee and file report with

(2) Stop dealing with an outside customer (3) Report to stock exchanges

STOCK EXCHANGES: • Monitor unusual patterns of trading and price movements before inside information is made public.
• Investigate member firms/employees

Sanctions: (1) Bar an offender from trading on exchange (2) Expel or suspend a member firm or individual (3) Report to statutory regulator

US UK SECURITIES AND

DEPARTMENT OF TRADE AND INDUSTRY Investigation powers:

Onshore: To force open bank accounts, compel witnesses to answer questions and pro-duce documents (unused to

Investigation powers: Onshore: To subpoens individuals, firms, bank accounts and other documents (subject to challenge)

EXCHANGE COMMISSION

Offshore: (1) To take sanctions against the UK branches of non-cooperative foreign banks, investment houses (unused to date) (2) To gather information through agreement with SEC

Offshore: (1) To gather information through agreements with UK, Japan, Switzerland, Cayman Islands and others (2) To apply diplomatic pressure
(3) To take sanctions against
US branches of non-cooperative foreign banks etc

Sanctions: To prosecute

Sanctions: (1) To refer offenders for prosecution
(2) To fine an effender
three times his illicit profits in a civil action (2) To impose other ad-ministrative sanctions (4) To provide all available evidence to civil litigants suing the offender

offence itself has assumed

higher profile. While in the US, insider dealing is seen as undermining the integrity of capital markets and the belief of small investors that they are on a level playing field with the Wall Street institutions, many European countries (with no history of wide share ownership) have not made insider dealing a criminal offence.

In the UK, the offence has, up until now, not been considered a serious one. As Sir Martin Jacomb, deputy chair-man of the Securities and Investment Board, the new City regulatory authority, argued last week, insider dealing is widely viewed as a victimless crime. Normally, the only losers are those market-makers who have failed to keep a tight control of their books. Investors who sell their shares when an insider is buying—so the argument goes—would normally
have sold even without him.
One of the leading US anof the criminal law.
According to Bob
head of the Stock
surveillance departs

law and economic centre at George nal offence, But as it is too late Mason University, near Wash-now, we have to stop being so

against the SEC's "maniacal crusade." The real problem, he said, lies in the framework for conducting takeover bids, the source of most inside informa-David Myddleton, professor

of finance and accounting at the UK's Cranfield School of Management in Bedford, accepts Manne's economic arguments. "But when you see all the greed and the cheating that has come out over the last few weeks, it is difficult to take an ethical stand in favour," he says. "The best solution would be to make more commercial secrets come out into the open." Nonetheless, even some of the

sterner critics of insider dealers in the UK believe that the sanctions against them should have been left to private sector bodies such as their employers and the Stock Exchange rather than using the clumsy apparatus

According to Bob Wilkinson, head of the Stock Exchange's ington, last week spoke out prissy about our investigations,"

By any other name

Laurie Milhank, the Cky stockbroking firm, has run into a spot of linguistic bother with the Japanese over its applica-tion for a securities dealing

licence in Tokyo.

Japanese banking law says that banks may not deal in Tokorunately. securities. Unfortunately, Laurie Milbank's application was translated literally into Japanese and its name came out with its final syllable given as "ginko"—the Japanese for bank.

Laurie Milbank explained the

Laurie milozak explained the misunderstanding. But the Japanese said it might be better if the firm could find another name to avoid confusion. Chase Manhattan Bank, which owns Laurie Mibank, says it quite understands the Japanese problem and will be happy to think up a new name.

Restoring Rome

Yet another of the sights of Rome goes under cover next spring when restoration work is due to start on the 10 baroque angels which decorate the Ponte Sant Angelo. Designed by Bernini, but sculpted by his pupils, the statues stand on one of the oldest bridges over the Tiber which leads to one of the most

which leads to one of the most popular sights of the city, the Castel Sant'Angelo.

The statues, like the Romans themselves, are suffering acutely from the ever-increasing pollution of the city (which led to some areas being sealed off from private traffic for one day last week).

The comparatively rapid for one day last week).

The comparatively rapid rescue operation set up to save the statues has been organised by two young Roman women whose company. Pangloss, specialises in finding private sponsors for public works.

They have one restoration in already to their greetite.

job already to their credit — that of the Barcaccia, Bernini's boat-shaped fountain at the foot of the Spanish Steps—completed in a mere three months last summer. That project was financed by the Rome daily, La Repubblica, and this time, Alitalia is putting up the money. Work

Men and Matters



after all, Sid?"

on the angels should be completed in 18 months — an ambitious timetable when one ambitious timetable when one remembers that the statue of Marco Aurello has been miss-ing from its plinth in Plazza del Campidoglio since January, 1981; and Marco Aurello's column in Piazza Colonna has been shrouded in scaffolding since suffering from the effects of an earthquake six years ago.

Book deal

Merchant banker, Evelyn de Rothschild, who owns the oldest established book-sellers in Britain, Henry Sotheran of Sackville Street, London, has been extending his literary interests.

He has bought Weinreb Architectural Books—the big-gest dealer in such books in the world. Sotheran, whose chairman is

Lord Drogbeda, has been deal ing in rare books and autograph letters since it was founded in York in 1761 (moving to London in 1815) and for some time has been keen to expand the print side of its business.

The opportunity to link with the flourishing print-selling busines; which Ben Weinreb—who knows more than most about prints and old maps—has been operating near the British Museum in Store Street was "too good to be missed."

What has taken place, said a spokesman for both companies is a marriage rather panies, is a marriage rather than a merger.

Lazy sailing

Ex-GEC executive Martin Jay, who took the helm at Lewman, the British yacht equipment maker, when it was floated on the Unlisted Securities Market last year, has a strategy to make his firm the leader of what he calls the "push button salling

He has just spent £4.6m to buy Brookes and Gatehouse, another company with a world reputation in boating circles. B and G of Lymington, Hampshire, specialises in marine electronics, indeed ploneered much of the gear, and will neatly complement Lewmar this terminal termi which is the world's leading supplier of yacht winches.

The companies began working together a few months ago to marry Lewmar's expertise in hydraulics to B and G's elec-tronics skills in order to pro-duce a new autopilot for the bigger yachts. The outcome has been a full merger.

Lewmar turns over more than £18m a year compared with B and G's £4.5m. Jay says he is confident that the combined сопраду will enjoy a "synergy benefit" from the two technologies which should put it in a dominant market

it in a dominant market position.

Both companies have been working independently to capture more business in the buoyant power hoat market, where if boat-handling cannot be done by pushing a button the owner sometimes doesn't feel inclined to do it at all.

But the sailing yacht market is moving rapidly in the same direction, much to Jay's satisfaction. He is scoring a notable success with hydraulically driven winches to save yachtsmens aching muscles.

With push-button control of anchor, sails, winches and steering, all that will be needed is a

ing, all that will be needed is a steady hand to pour the gins.

At law

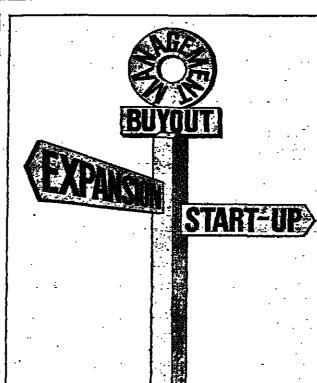
Ken Graham, the TUC's deputy general secretary, and its prin-cipal legal and industrial rela-tions expert, is to be awarded an honorary doctorate next month, along with Sir Denis Rooke, British Gas chairman, and Geoffrey Chandler, former director general of the National Economic Development Office. Economic Development Office.
The awards—among only eight doctorates given annually by the Council for National Academic Awards—will be presented at the Wedgwood factory near Stoke-on-Trent.
Graham's doctorate of law will be of comfort to him. He spent two days last week in the High Court, listening to a TUC-affiliated union, the white-collar ASTMS, attempt to overturn a

ASTMS, attempt to overturn a TUC disputes committee award about union representation in the Sun Alliance group.

Strong support From the house magazine of a

New York company: "When Miss Allmack joined us, she knew nothing about the corset and girdle trade but she lost no time in learning the market-ing side of the business, and in less than four years she had become a mainstay of the organisation."

Observer



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UROPE'S chemical com-panies seem in a sudden-hurry to buy into America. Hoechst of West Germany is bidding \$2.8bn for Celanese, one of America's 10 biggest chemical companies. Rhone-Foulenc of France is paying \$570m for the agrochemicals histories of Union Carbide.
Alzo of Holland is "actively seeking" US acquisitions.

This deluge of cash is, in one sense, surprising. The attractions of the US are plain enough for a large number of important chemicals, America is the world's biggest market, and also the fastest growing. But then, it always was. Why

the sudden interest?
The latest flurry is pert of aprocess which has been going on for a couple of years. In November 1984, ICI laid out \$750m on Beatrice Chemicals. and has since paid \$580m for the US paint maker Glidden. BASF of West Germany has meanwhile spent \$1bn on the paint maker Inmont and \$135m on the composites business of Celanese, and has bought the fibres business of American

All this has not been mere fashion, though there may be a touch of that. To begin with the fortunes of the US and European chemical industries have lately diverged. Mr Jean-Pierre Tiroufiet, financial con-troller of Rhone-Poulene, says: "The European companies have earned a lot of money since 1983 But the US 1983. But the US companies

had a rough time last year."
There is at least one simple reason for that. At the beginning of the 1980s, with the dollar at the bottom of its cycle—as low as \$2.44 against sterling and \$0.58 against the D-mark—European companies could not sell against the Americans in third countries, and had to rationalise dras-tically and painfully as a result. The cycle then reversed, and

by the beginning of last year the dollar had doubled against the D-mark and almost reached parity with sterling, US producers, locked out in their turn, had to go through their own painful rationalisation while the Europeans reaped the benefits.

And now, with the Europeans cash-rich and the Americans drained by rationalisation and restructuring, the cycle has turned once more. Against the D-mark in particular, the dollar has nearly halved again, and to European eyes American assets

look cheap. But it is not just a matter of currency opportunism; after all, ICI bought Beatrice when the dollar was at its peak. Since the onset of recession in 1979, companies have been theroughly unnerved by the effect of huge and irretional currency swings on their day-to-day business. The chief uncertainty is the LMS versus the dollar," says Mr. Tirouflet. "Even if you European chemical companies

An inescapable quest for critical mass

By Tony Jackson, Chemicals Correspondent

don't want access to the US market some products are dollar-denominated, and in all markets the competitive posi-tion of the European industry is at the dollar's mercy. To protect yourself, you must have a presence on both sides of the Atlantic."

The point is appreciated in the US. Bonald Sutherland, managing director of investor affairs with Du Pont, says: "The major European companies realise they can't control their currency baskets any more than we can. That means you have to have the asset base of the whole enterprise located in various currencies.

— if muted — reason given by the Europeans for looking at the US just now. One British executive says: "There may be a window in time while the Reagan administration is there, interests range from Otis eleva-

Sutherland puts it: "There's no least partly prompted by the question this administration has need to recoup the costs of fightbeen very laissez-jaire about ing off a hostile bid from GAF. market consolidation by sup-

And, of course, there has been no shortage of things to buy. The current reshuffle of corporate America's assets has largely had the effect of transferring previous attempts at diversification to owners who understand the businesses bet-ter—whether from home or abroad. Companies which have dragged their feet have been helped along by corporate raiders and greenmailers.

looking aggressively at overseas acquisitions ourselves."

Protectionism and competition policy is another explicit who had taken over its pre-So, for instance, ICI bought vious owner, the US type-writers-to-chemicals group SCM. BASE bought Inmont from United Technologies, a US conglomerate whose other

and while anti-trust legislation tors to Sikorsky helicopters is less strict than it was and Union Carbide's sale of its perhaps will be." Or as Mr agro-chemical interests is at Behind all the short-term

factors, though, lies a relentless trend towards internationalism in the chemicals markets of the world. In 1980, says Mr Tirouflet, around 50 per cent of Rhone-Poulenc's sales were in France. The figure is now 30 per cent. For ICI and the German companies the trend

has been the same.

"As markets get more and more world-wide," Mr Tirouflet says, "It's very important to control that whole market either in very basic chemicals, where it's becoming a question of only a few companies staying in business, or in speciality chemicals, where you aim to get a big part of a smaller market." So, for instance, a merger of Hoechst and Celanese would

create the biggest US force in

DOLLAR

Price

\$750m \$135m

SIhn

N/A. \$580m

Early 1985

June 1985

August 1986

the commodity business of artificial fibres, and ICI's purchase of Glidden makes it the world's largest maker of paint. And on the other hand, ICI's acquisition of Beatrice, and BASF's of parts of Celanese, place both companies squarely in one of the vogue areas for the 21st century, advanced composites— in which, as in most such areas, the US market is well in advance of Europe.

And, adds Ronnie Hampel, ICI board director in charge of the Americas, "the technology of the industry is becoming worldwide, and you have to

Technology involves another aspect, known in the jargon as "critical mass." One British executive says "there is a view among some Europeans that you need a big enough base in the US to be taken seriously by the investment community, the chemical community and the universities in terms of re-cruitment. There's some truth

A German executive seys:
"We are not eager to build up
US turnover for its own sake—
it's profit that matters. Critical mass is important, especially in fields like pharmaceutical re-search and development. Now all three of the German com-panies—Hoechst, Bayer, RASF—are among the eight higgest US chemical companies. We all have critical mass."

Still, however, the initial question returns. These arguments have held good for a long time. Why is it only now that they are being acted on? One reason has to do with history. ICI kept well clear of the US market in the years be-fore the Second World War, for the simple reason that it had a non-competition pact with

Du Pont. The agreements were

eventually busted by the US Department of Justice after

raids on ICI's files in London.

Mr Hampel tells it more diplomatically. "Until 1954, ICI and Du Pont had a technical exchange agreement whereby Du Pont exploited ICI's inventions in the US. Then the world got smaller, and anti-competition legislation nore stringent, so the sirange-

ment was terminated.
"In the early 1970s we made our first significant thrust with the purchase of Atlas Chemical. In 1973, when I went out there, we had a \$200m business. Sales are now over \$3bn, built up roughly 50-50 between acquisi-tion and growth. But the US is 40 per cent of the world market, and we still only have 20 per cent of our sales there.

In the case of the three big German chemical companies, the reason for a late start was simpler again. When IG Farben the colossal chemical concern in which the three were joined. was broken up by the Allies after the war, all the combine's assets in the US sequestrated.

A BASF executive says: started again in the US in 1952-53. At the same time we had to rebuild our factories at Ludwigshafen, which had been destroyed, and build up other assets in Europe. The huge expansion, for all three German companies, came in the late 1960s and early 1970s.

"You cannot jump into a market like this without preparation. You need maybe a decade before you can make an acquisition. It's the same with Japan — we've always said clearly that we're too small in Japan, but only now are we starting to feel sufficiently established to set up our first 100 per cent owned factory

But if the Europeans now feel ready to spread their wings, the US companies do not, A British oil company executive says: "The Americans have withdrawn into Fortress America. We see less activity from them than in the 1950s and 1960s, when the tide was in the other direction. They pobably feel their own market will grow at least as fast as Europe's and there is also a feeling among them that if you want to compete on a world scale you need to put your own house in order first."

Meanwhile, there are no signs that the European buying spree is over. In some cases the individual strategy may be open to argument—Hoechst plunging back into commodity markets with Celanese, Rhone-Poulenc grappling with the dreadful problems of US agriculture.
And then there is the cost.
"To us." says one British
executive, "some of the prices being paid are simply amazing."

Mr Hampel strikes a balanced note. "The logic of European acquisition in the US is totally comprehensible in the macro sense. The US is the biggest single capitalist market, and the one where it's easiest to main-tain free trade. It's easier to do business than in Europe where there are all the national and political problems. But there is a danger of being seduced by size. You have to be selective."

Lombard

Independence for **Channel Four**

By Samuel Brittan

watch most is BBC 2, the Corporation's supposedly cultural channel. But the one which I enjoy most when I do watch it is Channel Four, the alternative channel of the private sector which, in the words of its chief executive, Jeremy Isaacs, " seeks to satisfy a discriminating few, an endless succession, that is, of changing groups of selective viewers who enjoy something of what they see on our screen, but do not expect to enjoy all

of it." It has been attacked by puritan lobby for some of its films and by the intolerant left for a pro-private enterprise These two facts alone should suggest to the non-British student of broadcasting that there is a good deal going for Channel Four.

The ownership and financing arrangements, however, are something that only the British (or the Byzantines) could have invented. The channel is very independently managed; but it is wholly owned by the Independent Broadcasting Authority, which is itself a regulatory and not a broadcasting body.

Channel Four is financed by a levy on independent Television companies, which amounts in effect to 13.6 per cent of their net advertising revenue in the previous year. In return the ITV companies place advertising at fixed slots on the channel, and collect the proceeds.

The share of advertising

revenue attributable to Channel Four has been creeping up and amounted in 1985-86 to 10.9 per cent. Thus the channel is within sight of being self-supporting.
The Peacock Committee on broadcasting finance recom-mended that Channel Four should be "given the option" of ceasing to be a subsidiary of the IBA and of selling its own advertising. The committee wanted to see the continuation of scheduling complementary to what ITV is offering, and for this reason it did not want to force independence on an un-

willing Channel Four. On the insistence of Edmund Dell, the channel's chairman, a report was commissioned from Professor Alan Budd on the financial implications of the proposal. Publication of the Budd Report has been delayed

THE TELEVISION channel I until December 3 by rearguard action from opponents of inde-

But it is clear from several press leaks that Budd reported that the buoyancy of advertising revenue was quite sufficient for Channel Four to be self-support-ing, while maintaining its distinctive output and not engaging in a popular ratings battle.

On the other hand, any loss to ITV companies would be far too small for it to be worth their while to "retaliate." The accountants, Coopers and Lybrand, also presented to Channel Four an alternative picture on pessimistic assumptions. But the root of the opposition to independence lies

sewhere. The chairman and influential executives of Channel Four are are one or two of the indepen-dent members. But the IBA likes its imperialist position and television duopoly of themselves and the BBC. Several of the Channel Four board are either top executives of ITV companies or have past or present IBA con-

The case for independence is partly a matter of freeing the channel from ITV bureaucracy. channel from ITV bureautracy. It is also anomalous that the IBA should be both the regulator and the owner of the channel. At a practical level there are many advantages in direct dealing with the adver-tisers who are interested in exspecialist audiences. Looking ahead Edmund Dell has cast doubt on whether Channel Four's present painless method of finance could be relied upon in the longer run. The only major way in which

ITV companies could retaliate would be by challenging the principle of complementary scheduling, for instance by putting on programmes late at night designed to compete with Channel Four's more popular output. Any such behaviour would threaten the understandings on which ITV's present highly privileged position is based, and which Peacock reincrantly accepted for the short to medium term until a genuine broadcasting market is established. There is a limit to what

Stainless steel prices

From the Director, Catering Equipment Manu-Jucturers Association of Great Britain

Sir,—The members of this turnover of some £200m annually, are major consumers of stainless steel sheet, a raw material upon which they depend. Their industry has to compete worldwide often quoting long term prices. They must also be able to counter effectively the massive import penetration in this country while meeting widespread non-tariff barriers to trade in Europe.

too late

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The association is very deeply concerned by the present practices and intentions of the European steel cartel-Eurofer. Supplies of stainless steel sheet are being withheld from the market by the imposition by the cartel of quotas to create an artificial shortage with the declared intention of achieving a 20 per cent increase in price

The ample supplies of stainless steel sheet from overseas sources are forbidden entry to

It is thus the case that in this important commodity the European consumer is penalised and damaged in a way which is surely contrary to the spirit and letter of EEC trade rules and which would, of course, be quite illegal in a normal trad-ing situation. The longer term effect of these actions to move the problems of the steel industry on to their ultimate custo-mers can only result in severe damage. loss of jobs, and a con-traction of the overall market for the steel industry's products.

Members hope to see early action both by the European Commission and the British Government to stop the shortsighted policies of Eurofer. (Dr) J. E. Munden. 14, Pall Mall, SWI.

Training and performance

Sir. - It simply is not true as Professor Mangham claims (November 24), that the link between performance and management training has never been tested. Way back in the early 1970s Dr Patrick Prynne, my then colleague at Sheffield City Polytechnic, carried out a survey in which several huncompanies were asked questions about the extent and type of training. He then obtained the annual accounts of

Careful analysis showed that there was a correlation between performance (in terms of profitability) and the amount of training. The correlation however was inverse—the companies doing little or no train-panies doing little or no training had higher returns on management is only a problem the 1974 Act. Surely the inno- 16, Finsbury Circus, EC2.

Letters to the Editor

EUROPEAN ACQUISITIONS IN US

Beatrice Chemical

Inment American Enka

Glidden

Celanese

* Bid still in progress

Celanese composites division

UCC agrochemicals

capital than those doing more for the credit controller has to training. The only face-saving conclusien we could reach was that those who were satisfied with their performance felt that it was unnecessary to train while those who saw the need for improvement felt that training might help.

Unfortunately, funds were not available for a follow-up study several years later to see whether the performance of those who were training had improved and vice versa. I suspect that many of the firms are no longer in business, but that those who have survived are the more profitable ones who were doing little or no training.

Finding the connection, if any, between training and performance is not easy. Let's just accept that management training is a business that seeks to satisfy its customers. E. G. Wood.

27, Townscliffe Lane, Marple Bridge, Stockport, Cheshire.

Poor cash

From the Marketing Director, Pert International Sir,—May I comment on the points raised by Mr Martin (November 24) regarding the article, "Small businesses call for action on slow payers."

Teo little emphasis is given to the negotiation of credit terms when a sale is made. But,

this is only one factor. Far too little consideration is given to effective systems and procedures throughout the overall order to cash" administrative

For instance, situations exist where up to 40 per cent of sales invoices contained mistakes; 95 per cent of companies still use statements which present the information in the wrong way; and, over 70 per cent of com-panies either have no published terms of payment and conditions of sale at all or have terms which are inappropriate for their business.

Too many companies rely solely on the credit control function "to get the money in," but effective sales force procedures, order-entry, production and despatch department efficiency, adequate information systems and inter-departmental co-

operation are all essential.

be reversed if the paralysing effect of poor cash flow is to be stopped. With £25bn " overdue" at any one time. UK manufacturing and service industries are carrying a burden which many of their international competitors do not carry.

British industry will have to put its own house in order to reduce the UK average of 58 credit days to those enjoyed by, for example, its American and West German competitors. In the US the figure is 44 and in Germany some 69 per cent of all bills are paid within the credit period allowed. John Mirams. 243 Lower Mortlake Road, Richmond, Surrey.

Penalising the innocent

From Mr D Evers Sir,—A. H. Hermann's article "Punishing the innocent" (November 20) will be read with interest in the London insurance market which, depressed at the decision in the Bedford case, was in better heart following Mr. Justice Leggatt's decision in the Stewart ase. In the Bedford case it was decided that the contracts of an insurer trading without authorisation under the Insur-ance Acts were void. As an underwriting agent I can testify as to the costly effect for at least one group of our clients of the Bedford decision. For our clients, the direct effect was that their syndicate was unable to recover under otherwise valid reinsurance contracts; the re-insured, who could not collect, was unaware that his reinsurer was unauthorised,

As Dr Hermann suggests, the Bedford decision (now confirmed in Phoenix) has had knock-on effects and has meant that otherwise rightful claims could not be recovered from other unauthorised reinsurers, or rather, in a number of cases. from their liquidators. Now that in the Phoenix case the Court of Appeal has confirmed (if only obiter) the Bedford decision this will, to my certain knowledge, affect other claims being negotiated. It is even apparent from the Phoenix case itself that reinsurers used as a defence against claims the fact that they might be "un-authorised," only to find that this defence was not open to

cent insured or reinsured who was quite maware that he was authorised insurer or reinsurer, is the last person who should be penalised? The situation is made more persons by reason of the fact that, as your correspondent says, there are provisions in the 1974 Act to by reclassifying the categories of insurance in a way that can deprive an insurer of his authorisation.

82 83 84 85 86

David Evers. 80 Bush Lane, EC4

Investment trusts

From Mr E. Chappell Sir,—Lex (November 27) is unduly harsh in suggesting that it is only the prospect of corporate activity which has brought market strength to the investment trust sector: (at the same date, the investment trust sector of the FT Actuaries indices is the only sector to stand at its all-time high).

There is increasing realisa-tion that the market is more fully appreciative of what the sector is designed to achieve-providing a spread of risk, both in general and specialist funds high quality management, and low costs, to a wide range of investors both institutional and private. Laing and Cruick-shank's survey demonstrated. both on net asset and share value growth, just how far th sector had out-performed the London and New York equity indices: other measures of past long-term performance show that for a number of years investment trusts have outperformed unit trusts (which are so widely promoted, at the investor's ultimate expense) both on capital values and in come growth, and other form of savings media, such as build ing societies.

There are at least two other factors in the sector's favour Under new financial services legislation, there will be in creasing pressure on intermediaries to recommend the investment which is best for the investor, not that which pays the intermediary the highest commission. Invest ated the need to trumpet their strengths and earn the support of their investors. New publi city programmes, at both individual and generic level, will emphasise their strengths.

The sector has been excelling for over a century; with a wide interest in private shareholding investment trusts will continue to flourish. In all logic, thele lower management costs should cause them to stand at a premium over net asset value. E. P. Chappell (Adviser), Association of Investment Trust Companies.

The businessman's advertising.

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Does it avoid the wastage of	

product or service? Does it allow you to contact potential customers just as and when you choose?

other media because it's seen

only by businessmen who are

likely to be interested in your

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William Hall on Wall Street

Boom or bust for prices

WITH the Dow Jones industrial average ending last week less than six points short of a record high, are US share prices too high? It is a question that is worrying many investment managers as they return from the Thanksgiving holiday

The latest economic news out of Washington – particularly the sharp drop in orders for October durable goods - is far from encouraging, and the political news is even more disconcerting. The Iranian arms controversy has thrown the US administration into disarray and raised serious questions about the continued effectiveness of President Ronald Reagan during his fi-nal two years, which in turn could have important implications for Wall Street in the new year.

However, if Wall Street's bulls are beginning to lose their nerve about the long-term direction of US share prices, they could do a lot worse than spend a few minutes listening to Mr John Templeton, one of the grand old men of investment management, who left his Lyford Cay home in the Bahamas last week to attend the annual meetings in New York of his \$6bn Templeton mutual funds.

Mr Templeton, a congenial septuagenarian and former Rhodes scho-lar, has been in the investment management game for close to 50 years, and whether one agrees or disagrees with him, his long-term view of where the US stock market has come from and where it is heading always makes good listen-

He stresses that US share prices have risen only 32 per cent over the past 50 years, stated in dollars of constant purchasing power, and are 45 per cent lower than the peak prices reached 20 years ago. The rise in prices has been small when compared with the rise in the annual gross national product of the US. Assuming a constant relationship between the two, Mr Templeton calculates that US share prices have effectively fallen by 73 per cent over the past 50 years and are only up a third from the 1982 low point.

The current ratio of US share prices to next year's estimated earnings of around 14 times is years" and based on several other long-term comparisons, such as the relationship between US and Japanese share prices, US shares are close to their lowest levels for a long time.

In common with many investors, Mr Templeton is amazed by the val-uation of the Japanese stock market and notes that during the great American bull market which ended in 1929, US share prices never rose above 23 times earnings while the Tokyo stock market index was recently selling at 48 times earnings. Nomura Securities, the higgest Japanese brokerage firm, has a stock market capitalisation which is 15 times that of Merrill Lynch, its biggest US rival.

Mr Templeton doubts whether such a divergence in stock market valuations can be justified over the long term. He is apprehensive about the impact on the rest of the world's stock markets if Tokyo prices were to collapse.

On the other hand, he is clearly intrigued by the possibility that US share valuations might rise sharply at some future date for some of the same reasons that have sent Japanese shares prices into the strato-

"It is possible that in the next bull market, US share prices might rise far above what has been considered normal in the past in relation to earnings," says Mr Templeton who argues that the Japanese stock market is being fuelled by a "short-age of shares and a surplus of cash."

Over the last three years he estimates that 10 per cent of US shares disappeared because of takeovers, leveraged buy-outs and share buy-

"A shrinkage of this magnitude has never before occurred in any nation." He is also impressed by the sheer weight of cash available – everything maturing within 18 months - which exceeds the total market value of all US shares, and given that US pension fund assets

given that US pension fund assets are expected to triple over the next decade, this factor is likely to become even more important.

Is there any danger that the US financial markets are heading for another 1929 great crash?

Mr Templeton says that there are some similarities between now and then, but the differences are much greater. It is possible that the Dow Jones industrial average could fall from its current level of near 2,000 to below 1,000, but this should not be mistaken for another great crash, just the inevitable bear market which will hit Wall Street sooner or later.

Peter Riddell reports on the Australian court case

Spy trial obsession rules London

"IT IS all very exotic - rather a met-ropolitan issue," a British Cabinet minister said after last week's further instalment of the secrets case mer inscament of the secrets case, with its naming of famous names, regular humiliation of Sir Robert Armstrong, the UK's Cabinet Secretary, in an Australian court and angry confrontations in the House

The British Government is battling to prevent publication in Australia of a book by a retired officer of MI5, Britain's spy-catching service, in which he claims that a forner director was a Russian agent. The case resumes today when the

British Government faces a further week of pressure and political embarrassment, both in the Australian courts and in the House of Com-Conservative Party leaders are

mounting a concerted attempt to shift attention and criticism on to and are replaced by more durable the role of Mr Neil Kinnock, the La-domestic issues. bour leader who telephoned the defence lawyer last week in a widely minster talks of little else. And of condemned move. Immediate attention will focus on per classes - and hence the press -

a ruling by Mr Justice Philip Powell can satisfy their fascination with of the New South Wales Supreme spies. Court on whether highly secret and sensitive British Government documents, which he has been reading during the weekend, should be made available to the defence.

The British Government has strongly resisted production of the documents and will, if necessary, appeal against the judge's decision.

For all its bizarreness the affair has become, however briefly, the tion without authorisation. There dominant topic of discussion among should be a life-long vow of confid-UK politicians and commentators to the virtual exclusion of anything all-embracing Official Secrets Act else at successive Prime Minister's which every government official questions in the House of Commons signs at the outset of their career. and spilling over into lengthy points of order and dozens of written questions. else at successive Prime Minister's tions and motions.

time – sometimes weeks, occasionally a month or two - the British Parliament and those who report it the help of Lord Rothschild, a powbecome preoccupied, even ob-sessed, with an issue which appears ure and himself a former MI5 offiperipheral to the main concern of cer, to assist with a book by journal-Britain - Mr Mark Thatcher's in-ist Mr Chapman Pincher - Their peripheral to the main concern of volvement in an Oman building Trade is Treachery - published in contract opposition to the sinking 1981. This book alleged that Sir of the Argentine cruiser Belgrano Roger Hollis, a former head of MI5, during the Falklands war and, even to some extent, the Westland heli-



epitome of the English establishment.

Sir Robert, the

has appeared to Westminster politicians like a hapless cricket captain of old.

While they last, however, Westcourse, the British middle and up-

But do most voters care? MPs re-

port puzzlement, not anger, from their constituents - and hardly any letters on the topic: Yet the MI5 affair does raise seri-

ous issues. The point of the UK Government's case in the Australian courts is that former MI5 officers, like Mr Peter Wright, should not be allowed to disclose informaentiality based on adherence to the

The problem is that the Govern-This is a familiar pattern. For the ime - sometimes weeks, occasion in its application. In particular, Mr Wright was flown to Britain, with had been a Soviet agent.

Much of the Australian case has

in the publication of Mr Pincher's book and therefore on whether it

has taken an inconsistent attitude. The UK Government case is that there is a distinction between books written by former MI5 officers and those by journalists, even with the help of the former, and that when the Prime Minister was faced with a decision shortly before publication she was told it was too late to

The critics of the Government's case assert that the intelligence authorities knew about Mr Pincher's book and Mr Wright's close involve-ment well before publication. On this view, the authorities, at the very least, made a deliberate decision to allow the book to go ahead, and may have played a more posi-

The case has also thrown up apparent inconsistencies in the Government's method of taking decisions. Sir Robert Armstrong has been forced to change submissions, notably over whether Sir Michael Havers, the Attorney-General and senior law officer was involved.

That retraction only followed week-long angry rumblings by Sir Michael leading up to a meeting with Mrs Thatcher.

Indeed, Sir Robert, the epitome of the English establishment, has appeared to Westminster politicians like a hapless cricket captain of old, probably wearing a Harlequin's cap and being barracked by Australian copter affair. But by their very naturned on whether or not there was and being barracked by Australia ture these affairs run out of steam British Government acquiescence rowdies from the Hill at Sydney.

More substantially, a number of senior civil servants, as well as poli-ticians, are worried about whether Sir Robert should be put in the position of being the public spokesman for Mrs Thatcher, as he also was in the Westland affair. They fear that, like Lord Armstrong (now deceased) under Mr Edward Heath, Sir Robert has become de facto head of a Prime Minister's department rather than Cabinet co-ordiment rather than Cabinet co-dri-nator and impartial head of the civil service. There is strong Whitehall pressure for the two roles to be split again when Sir Robert retires after

The other constitutional question is over the control of the intelliis over the control of the intelligence services. The SDP-Liberal Alliance will use a Commons debate on Wednesday to press the case for oversight by a Commons committee of privy coun

Labour will support this call and a few Tory MPs are sympathetic but it will be resisted by the Government. In theory, although not in practice, the current departmentaly-related select committees could look at the two intelligence services and one committee did hold an in-

quiry into the special branch. Finally, a loud, but not very substantial sub-plot has developed over the contacts between the office of Mr Neil Kinnock, the Labour lead-er, and Mr Malcolm Turnbull, the lawyer for Mr Wright. According to both Mr Kinnock and Mr Turnbull, eight telephone conversations have been concerned with what had been happening overnight in court and contained no confidential disclo-

Tory MPs have furiously attacked Mr Kinnock for collusion and for undermining Britain's intelligence services. But, on present evidence. Mr Kinnock has been, at the most, unwise, or naive, in personally talking to a lawyer acting against the British Government in a foreign

Labour MPs suspect that the Conservative outrage is a device to shift attention away from the substances of the Australian case.

In any event, for all these sideshows, the Government faces the problem that unless it drops the case - and thereby compror the principle of confidentiality - it faces further embarrassment Australia and rows at Westin The show is not over yet.

THE LEX COLUMN

Never the twain shall meet

any event in the financial markets as inevitable. But there were an awful lot of such foolish men who were proved right in September when the Japanese stock market began a slide which by mid October had capitalisation. At its peak the Nik-kei was on an earnings multiple of well over 50 - unprecedented even for a market which has never been particularly tied to the sort of mea-surements of value which obsess fund managers in the West. The occidental view of the matter

was sufficiently clear-cut to trigger a net sell-off by foreigners from the Japanese stock market - so far this year - of over Y3 trillion (million million). The west has been a net seller of the Tokyo market for some years, but this was an unloading of over four times the size of the previous year's distrivestment. Such a movement of funds is far more than can be written off as an attempt to realign a Japanese weighting which had become bloated as much through currency as share price ap-

Gullible

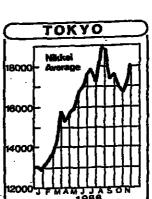
As the index dipped below 16,000 the foreigners continued to sell and patted themselves on the back for their foresight. Yet it is beginning to look as though the supposedly gullible natives are having the last

guinhe natives are naving the last laugh: on Friday the market capped a steady recovery by breaking through the 18,000 point barrier.

The buzz words that had driven the market to its September peak was "weight of money." The normal Japanese propensity to save over 20 per cent of personal earnings, to-gether with a massive windfall for the corporate sector as the oil price halved made a potent combination.

If weight of money is something which can push stocks up at a blistering pace, the same weight should in theory be able to push the same stocks down viciously. Yet the chief characteristic of the correction was that it took place on very small volumes - about a 10th of the peak of 2hn shares a day seen in August and September. It appears therefore that Japanese investors were simply mopping up the worst that the West could throw at them - and

are now hungry for more.



in the first tranche of the state's sale of stock in Nippon Telegraph and Telephone. Even by the stanplications for the NTT offering was announced the company itself revealed that its pre-tax profits for the six months to September were less than 1 per cent up on the comnarable period.

Those western financial institu-Telecom gravy train - must now be relieved. After all, it would have hit the market in January is being turned into a bull point by the Japanese salesmen, who argue that the Government will pressure the big four securities houses into driving the market up so that NTT stock will not go to a (richly deserved) dis-

Japanese market is as much to do the prices that happen to be appropriate.
reached The frenzy of August was Yet the deregulation of the savcame last Wednesday when the forbid investment trusts handing dramatically increased. And the Ministry of Finance revealed that over their management to the tradbetween 7m and 9m people had applied for the 1.65m shares available the system, which cannot be so easthemselves.

ily solved by the creation of such Japanese walls.

Many of the Tokkin are acting solely for a single company, not to secure the pensions of the employsecure the pensions of the employ-ees, but to generate profits for the company itself. When the strength of the yen strangles export earnings and deters new capital investment, companies have been putting their very considerable cash resources into stock market dabbling.

Realised capital gains can be treated as trading profits, which is a great incentive for the manufacturing companies whose earnings from normal trading are expected to fall this year by almost 50 per cent. A number of such companies are expected to earn much more from stock market speculation than and Telephone. Even by the standards of Japan NTI is on a zany rating. At the offer price of Y12m a share, the company will be on a multiple of around 130 times earnings. The day after the level of an artist course of stack market market trading environment is itself a potential course of stack market ings. The day after the level of apential source of stock market weak-

Cynical

Yet if cynicism about earnings were to crater Tokyo, it would have done so long ago. Most of the martions which complained interly at being excluded from the NTT offer-ing - after Japanese investors had the entire market is at a substantial ing - after Japanese investors had the entire market is at a substantial been allowed in on the British discount to asset value, with companies valuing property and other as-sets in the book at pre-war prices. caused an unforgivable loss of face. The paradox is that precisely those if foreign investors had turned companies with a severe plant overdown any stock offered. Yet even capacity are deemed attractive bethe deadweight of NIT stock due to cause of their notential for redevelopment in islands chronically short

Such arguments might sway the western investor if the Japanese stock market had the ability to buy and sell whole companies in the style of London and New York. Unfortunately, the cultural impossibility of hostile bids in the Japanese business community suggests that with the nature of the trading as a substantial discount to assets is

reached. The franzy of August was characterised by the Tokkin funds ings industry in a country in which turning over vast quantities of stock in the blue chips, in true foreign exings are in equities is a wonderful change-dealer fashion, buying and selling within a day. The authorithe Japanese Government does reties have now acted to stamp out move the tax-free status of time desome of these excesses by bringing posit savings, then the weight of sek which money in the stock market could be

Row grows over Iran arms deal World trade

Continued from Page 1

lers. Mr Brent Scowcroft, a former National Security Adviser in the Ford Administration, and Sen John Tower have been appointed to a three-strong "blue ribbon" panel to investigate the role of the National ecurity Council in the wake of last week's disclosures. Mr Reagan is to meet the panel today.

Mr George Bush, the US Vice President and front runner for the Republican presidential candidacy in 1988, when Mr Reagan's term ex-pires, is planning to make a statement this week, according to aides.
Mr Bush has largely been politically invisible since the scandal broke, and his speech could deter-mine whether his chances of get-ting the presidential nomination have been irrevocably damaged by

more people registered but points out that, for the first time, those

The outcome is a particular disap-

pointment to the ruling Conserva-tive Party which had been hoping for additional support from over-

seas voters. A direct mail shot was

sent to more than 100,000 expatri-

ates and a new body, Conservatives

Abroad, was set-up specifically to cater for their needs.

A variety of reasons have been put forward, with hindsight, by the

parties for the low level of response,

compared for example, with the 20 per cent voter registration by US

World Weather

who wish to vote can now do so.

The atmosphere of crisis in

Washington has grown since Mr Reagan, 75, left the capital last week to take his four-day break horseriding in the Californian mountains. In his regular weekly nationwide radio address on Saturday, he urged Americans not to become preoccupied with the "Iran is-sue" but to concentrate instead on the federal budget deficit and

spending cuts. But the US press, scenting blood Khashoggi, who figured prominent for the first time in the six years of ly in the US sale of the Awacs early warning system to Saudi Arabia, mercilessly pursuing every aspect several years ago.

The New York Times reported ing of a big Saudi Arabian role, not only in secret Iranian purchases of tary equipment to the Nicaraguan

Expatriates spurn UK voting role

even with considerable local publicity efforts, the run-up to registra-

tion coincided with the main holi-

Moreover, there have been sug-

gestions that some British resi-

dents abroad may have been reluc-

tant to register and thus risk at-

tracting the notice of the Inland

A number of British citizens liv-

ing abroad have protested, notably in letters to the Financial Times,

day period.

The report said that Lt Col North's associates - including retired air force Major General Richard Secord and Mr Albert Hakim, a former Iranian businessman were in direct contact with the Saudis. The report also said bank records showed that an Iranian arms dealer, Mr Manucher Gharbonifar, had paid \$5m to the Saudi middleman and arms dealer, Mr Adnan

In a separate development, Jus-tice Department officials were quotyesterday that evidence was emerged in the Washington Post as expressing reservations about Mr Meese leading the government inarms but also in the supply of miliquiry into the scandal, partly be-tary equipment to the Nicaraguan cause of his close contacts with the

come overseas electors.

This time limit reflected a com-

promise between the Labour Party's desire for tight controls and the

Tories' preference for a less re-

strictive approach. Labour's agree-

ment was necessary to allow the measure to become law in time.

each year for the constituency where they were eligible to vote be-

fore they went abroad and have the

right to vote by proxy at any parlia-mentary or Euro-election, though not at local elections.

Turkey seeks

as a crucial encounter.

migration deal

Prof Bozer said he thought indi-vidual Turkish workers would have

Overseas electors are registered

there may have been unfamiliarity change. Only those current expatri-with the new complicated proce-ates who have lived in the UK and

dures, and second the regulations have been registered as voters with-only came into force on July 11, and in the last five years can now be-

forecast to grow faster

WORLD TRADE will grow slightly faster in volume this year than previously forecast owing to a sharp recovery in fuel exports. West Germany is set to replace the US as the world's biggest exporter in dollar terms, and for the first time developing countries will earn more from manufactured exports than from

(Gatt) on figures for the first 10 months, are announced simultaneously with the publication today of Gatt's report on International Trade. In a new format, it analyses international trade and policy issue in 1985 and the first half of 1986.

A flattening out in the impetuous growth of electronic exports and the importance of the North American market in the car industry's three-year recovery cycle are among the key developments ana-

Heavier buying of fuels by importers this year in response to the fall in oil prices leads Gatt to revise its forecast for the growth in the vol-ume of world merchandise trade to nearer 4 per cent than the 3.5 per cent predicted in its report. Although larger than the 3 per

cent recorded in 1985, this increase contrasts with average annual growth rates of 5.5 per cent during the 1970s and 8.5 per cent in the 1960s. The slowdown in trade is one of the principal motives for the new Uruguay round of multilateral trade

The US will lose its primacy as an exporter of goods for the first time since 1921 when it took over from Britain. But West Germany's surge to the top of Gatt's exports table is a statistical oddity generated by the collapse in the dollar exchange rate

have risen in value by just over 1 per cent to \$180bn in the first 10 months while West German sales soared by 34.5 per cent to \$200bn. In D-Mark terms, West German export carnings fell by 1.9 per cent in value to DM 440bn (\$220bn).

the right to sue in EEC courts if they were denied jobs in the Community but said he knew nothing about any plans to do so.

Although Community lawyers are now trying to play down the latest figures is that US export growth remains sluggish and has only partially recouped during the past two years from the tremendous decline experienced in the ear-Although Community lawyers are now trying to play down the seriousness of Turkey's legal case, Seriousness of Turkey's legal case, Gatt International

until a year ago they were privately offering the opinion that it was watering the opinion that it

Robertshaw Controls Company

to Siebe and dealer manager for the tender offer in the United States. Kleinwort Benson and Lazard Brothers jointly underwrote the issue of 31,220,913 new Siebe shares in London to finance the acquisition. Kleinwort Grieveson were brokers to the issue.

Lazard Frères & Co.

Kleinwort Benson Limited

Lazard Brothers & Co., Limited

Kleinwort Grieveson Securities Limited

These 1986 predictions, based by the secretariat of the General Agreement on Tariffs and Trade

has acquired

Lazard Frères & Co. acted as financial advisers

Continued from Page 1 against the D-Mark.

Measured in dollars, US exports of the Council of Ministers will be needed to prepare the ground for an Association Council meeting. Prof Bozer is due to meet Sir Geoffrey on December 18 in what is regarded

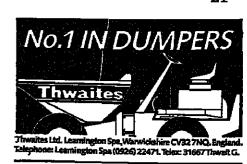
Siebe plc

Christ



SECTION II - COMPANIES AND MARKETS **FINANCIAL TIMES**

Monday December 1 1986



St Gobain issue Eurobond market sees the knives out for FRNs 'oversubscribed'

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MARS DE T

THE SUCCESS of France's first major privatisation seemed assured at the weekend with every sign that sue by fixing an offer price of FFr the flotation of Saint Gobain, the glass and engineering group, had already been heavily oversubscribed. The issue closes on Decem-

In both Paris and London, "shares" were traded on Friday in unofficial dealings at between FFr 345-FFr 355 representing a premium of 11 per cent to 13 per cent on the issue price of FFr 310 (\$48). Some French banks were reported to have been faced with share demands 10 times higher than they could accommodate. Apart from in-cult. This is because Parihas's comstitutional buyers, more than 1m in- plex banking and industrial interdividual investors, each entitled to ests make it more difficult to fix an at least 10 shares, are believed to offer price that is both tempting to have made offers, thus boosting the shareholders and fair to the state. Government's hopes of generating a popular ownership for denational-

ised companies. The 20 per cent of shares allowed to foreigners have already been placed by banks managing the is-sue including Kleinwort Benson in Britain. On offer are 28m shares, representing 64 per cent of the

The Government has done its best to assure the success of the is-310 - or only FFr 3 above the last quoted price of its certificats d'investissement (non-voting stock).
Other factors that have contributed to the success of the issue, are the encouraging profit forecasts made by the company and the growing belief in an upturn in the interna-tional glass industry.

French officials fear, however, that the privatisation of Paribas, the state-owned investment bank and the next institution on the Government's list, could be more diffi-At the same time, the privatisa-tion programme is beginning to have a crowding out effect on the

French capital markets. In the first nine months of this year, new bond and share issues by French institutions on the Paris bourse have raised FFr 391bn - an period last year.

Petro-Lewis considers filing for bankruptcy

BY WILLIAM HALL IN NEW YORK

ver-based oil and gas group which bankruptcy in the past. In the year was one of the most aggressive to end-June, the group lost \$415.6m marketers of oil and gas partner-after taking a \$338m write-down of ships during the boom in oil prices. has defaulted on some of its debt payments and is considering filing for protection under Chapter 11 of the US bankruptcy code.

gas prices and has frequently holders.

PETRO-LEWIS, the struggling Den- threatened to file for Chapter 11 its oil and gas properties.

Petro-Lewis has warned that unless Freeport-McMoran's \$750m acquisition is allowed to go through, it will have no alternative but to file The group, which is in the pro- for bankruptcy. Petro-Lewis has cess of being taken over by Free- been losing money for three years port-McMoran, a New Orleans and a Chapter 11 filing could wipe based energy group, has been hard out stockholders equity and would hit by the slump in world oil and hurt many of the "secured" bond

Simonian in London.

Yet the debate over the success of the deal and whether the lead manhad cut itself too succulent a helpsion in a week when the knives were out for FRNs across the board.

per priced at London interbank bid rate (Libid) triggered a wider de-Since then, there had been some-

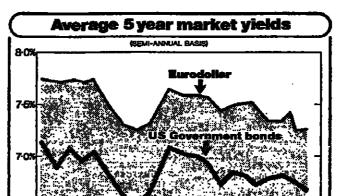
fewer new issues and more gen-erous pricing over London inter-bank offered rate (Libor). Wednesday's perpetual issue for Rhône-Poulenc, the French state-owned chemicals group, offered investors a comon of % point over six-month Libor for the first three years, rising by % point a year thereafter to a ceiling of Libor plus one percentage

LAST WEEK'S tiff in the Eurobond market about Standard Chartered's \$200m perpetual floating rate note (FRN) gave primary dealers plenty of food for thought, writes Haig transform the FRN into some form of equity capital.

Yet, the paper is cast in an even better light when viewed in terms ager, Credit Suisse First Boston, of its likely six-year call: 1/4 point over Libor for the first three years ing, seemed something of a digres- and Libor plus % for the second three-year span is a juicy spread indeed. Its very different structure Prices for floaters had almost re- means it is not directly comparable, covered from the heavy falls of ear- but many dealers reckoned the ly last month, when the run on pa- terms were much more generous than those for Rhône-Poulenc's recent \$275m seven-year credit, which was heavily oversubscribed

Various reasons lay behind last thing of a rally in FRNs thanks to week's tumble in FRN prices. Rumours about an imminent clampdown on Japanese purchases of subordinated debt got the week off to a bad start. Then there was the continuing overhang of sub-Libor priced paper. However strong the earlier recovery, dealers had only begun to clear the backlog.

In the circumstances, the Staneiling of Libor plus one percentage dard Chartered issue was probably over one-month Libor for a likely more the scapegoat than the cause triple A investment, the \$500m is-Admittedly, few dealers expected of the ensuing price falls. While sue for Prudential Insurance Com-



some syndicate managers are still squabbling about that deal, opinion differs widely about where the FRN market is heading at present.

The optimists think floaters will stabilise again shortly, just as they did after early November's sharp falls. Generously priced FRNs for high quality names remain in demand. At a spread of 45 basis points pany of America has gone down a

The doomsters think otherwise, however. They argue the market is going through more than just some seasonal pre-Christmas blues. It is certainly hard for the marketeers to persuade a prospective borrower say a commercial bank - which could have issued floating rate paper at 5 basis points over Libor a few weeks ago to take the plunge at

or by turning to the fixed rate marmore promising. ket instead. The word in dollar Last week's ri straights has been a lot better.

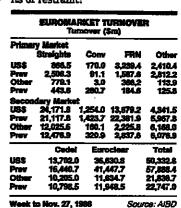
Signs of renewed Japanese retail interest in the US Treasury Bond market gave the benchmark 30year long bond a healthy fillip. Yields on the long bond were down to 7.40 per cent on Friday against the previous week's close of 7.44 per cent. Earlier last week yields had dropped further, scraping 7.36 per its of restraint? cent on Tuesday.

That was all good news for the straight Eurodollar market, even if taken more selectively, with five to seven-year maturities benefiting most strongly. The market was thrown out of kilter by the Thanks-giving holiday and the decision of many New York dealers to make it a long weekend. But last week's modest new issue volume in straight Eurodollars helped to bolster prices.

A torrent of pre-Christmas new issues, or hara-kiri pricing by a lead manager anxious to climb the league tables before the year is out,

Many borrowers will respond by wise, however, the outlook for continuing with short-term funding, straight Eurodollar bonds seems

Last week's rise in the Nikkei stock index of Japanese shares spurred a number of equity warrant and convertible deals for Japanese companies, many of which met with keen investor demand. There has been something of a lull in such deals since the market reached saturation point in September. Is there something to be said for the benef-



Stunning terms for Renfe in six-year Euronote loan facility

RENFE, Spain's state railway, has for Eurodollar deposits (Libid). ridden like an express train on to

writes Peter Montagnon in London. The deal bears a facility fee of just 2½ basis points for the first gether with the facility fee, this will three years rising to 3 points thereafter. This is way below terms achieved by other European sovereign borrowers which have been ICO credit. pressing for some time against a 4 point barrier.

Terms on the Renfe deal were expected to be very fine, both because of the intense competition among leading banks to win the mandate and because of the recent success-ICO, the state credit agency, which carries a margin of 15 basis points over the London interbank bid rate

Yet the pricing of the deal still new ground in the Euronote market stunned the market when it was unwith the terms of its latest \$315m, veiled on Friday. Besides the low six year loan facility mandated to facility fee, the terms include a Manufacturers Hanover, last week, margin on drawings on Libid flat plus a utilisation fee of 12½ points on any amounts drawn. Taken tomean that the return to participating banks on a fully drawn basis

But it is by no means a foregone conclusion that Renfe will be so lucky. In the first place ICO's deal proved to be quite hard to syndicate despite its oversubscription. In the end it was helped by the fact that lenders can obtain a tax credit that ful syndication of a \$50m credit for bumps up their yield. The same ICO; the state credit agency, which should apply in Renfe's case but the advantage is less clear.

will be equivalent to that on the

Renfe will use the deal to back up

a time when Spanish paper generally sells at a discount of 10 points willing to take on such a large comto Libid. That means the facility is mitment in return for the rare unlikely ever to be drawn, so that chance of being appointed as a dealthe potential tax advantages to len- er on a Eurocommercial paper proders are rather academic.

In fact Renfe intends to cut the amount of the facility by half, three months after signing. This is because new regulations are due to come into effect in Spain under which Eurocommercial paper is-sues will no longer have to be fully backed up by standby facilities. It is paying a 4 basis point front-end fee for the facility which is arguably equivalent to 8 points on the smaller amount left after cutting.

Nonetheless the initial response from the market was that the rewards looked scant. Syndication is to be on a selective basis with Manufacturers Hanover looking for ers Hanover argues that facility launched a \$300m, 10-year credit basis points.

gramme guaranteed by the King-

In other words, the fine terms on this deal are the price of a subscription for such a coveted dealership. Competition may still prove strong enough to tip the balance in favour of the deal. Already on Friday about half the amount was covered. On the other hand, banks will also be looking at the cost of applying capital to a commitment which bears such a low return.

Most bankers assume that at some point a line will have to be drawn in this respect. Manufactur-

their actual level does not matter. Haggling about every ½ basis point makes no sense when in cash terms it is worth only \$25,000 a year for a bank committed to \$50m.

Take this point to its logical conclusion, however, and one could wonder whether fees should be scrapped altogether. Perhaps banks should even start paying their cusbusiness with them.

That, of course, is just too flippant. A more reasonable and gen-eral conclusion to be drawn from the terms of this deal is that the days of the standby facility to back up Eurocommercial paper issues for the best borrowers are simply on the way out.

Among other deals, Thailand has

carries a margin of 1/2 point for the first two years, rising to 1/4 point

Barclays de Zoete Wedd is arranging a £150m loan facility for Next, the UK clothing retailer, with an accompanying £100m commer-cial paper facility. Half the facility will be on a committed basis with a fee of 6% basis points, while the rest tomers for the privilege of doing will be a reserve tranche at a fee of 3% points. Drawings will bear interest at a margin of 15 basis points over Libor.

> J. Bibby, the agriculture products group, has launched a £70m paper programme through County Nat-West, while Cummins Financial of the US has appointed Goldman Sachs to lead a \$100m, five-year loan facility at an annual fee of 12.5



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75,000 Warrants to subscribe for U.S. \$75,000,000

7¾ per cent. Notes due 1994

The following have agreed to subscribe for the Warrants:

Merrill Lynch International & Co.

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Manufacturers Hanover Limited

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Application has been made for the Warrants and the Notes, constituting the above issue to be admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the global Warrant and the global Note. The issue price of the Warrants is U.S.\$15 per Warrant. Each Warrant will entitle the holder to subscribe U.S.\$1,000 principal amount of the Notes at the exercise price of U.S.\$1,003.75 per Note plus accrued interest, if any. The Warrants may be exercised on 24th December, 1986 and on 17th March, 17th June, 17th September and 17th December in each year from and including 17th March, 1987 to and including 17th March, 1989.

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Markets shrug off deepening crisis on arms sales

MANY US traders used Thurs-day's Thanksgiving holiday as its outlook is at the upper end an excuse to limit their trading activities to the first three days

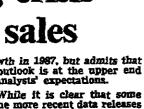
"While it is clear that some of last week, so the recent performance in the US credit mar-

The equity and fixed-income markets both managed to shrug off the news of the deepening political crisis in the US Administration over arms sales to Iran, and ended the week higher than they started. The only area of the financial markets to show any nervousness was the foreign exchange markets where the dollar came under pressure.

At the shorter end of the market, rates were little changed. At the weekly US Treasury bill auction, rates on the new 13-week balls dropped an average four basis points to 5.35 per cent and the average rate on the 26-week bills fell by five basis points to 5.39 per cent. The Treasury was able to auction \$8.250n of five-year notes wih a 61 per cent coupon at an average rate of 6.66 per cent and by the end of the week the issue was trading at 991 to yield 6.65 per cent.

Last week's economic news held no nasty surprises for the bond markets. US consumer prices rose by a lower than expected 0.2 per cent in October, durable goods orders fell by a surprisingly large 6 per cent and the trade deficit in October narrowed for the third month in a rowed for the third month in a row to \$12.1bn -- its lowest level in 14 months.

As Smith Barney notes in its latest credit market comment. latest credit market comment, the economic data released throughout November has brought about any "en masse" lowering of growth projections. It is sticking to its earlier fourth-quarter forecast of 3 per cent growth in gross national product and a 2½ per cent



formance in the US credit markets may not be a particularly reliable guide to the near-term outlook.

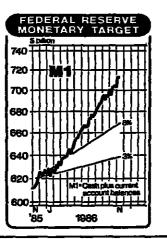
The equity and fixed-income markets both managed to shrug off the news of the deepening political crisis in the US Admin-

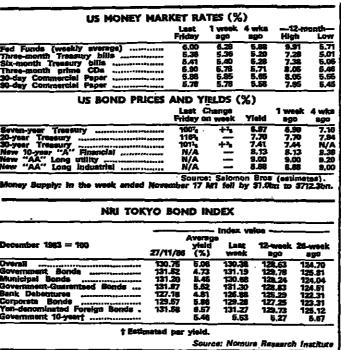
Mr Philp Braverman of Irving Securities is more com-mitted in his belief that the higher than they started. The only area of the financial markets to show any nervousness was the foreign exchange markets where the dollar came under pressure.

The price of gold ended the week \$12 higher at \$390 an ounce and the US currency slipped below the DM 2 level and finished the week a shade above DM 1.97. By contrast, the new long bond, Treasury 72 the new long bond, Treasury 72 the reent declines in US interest rates have not been sufficient to rejuvenate the economy and is looking for the Fed to cut its discount rate again by mid-february, round about the time when Mr Paul Volcker, the Federal Reserve chairman, gives his Humphrey Hawkins testimony to Congress.

"Since another one-half per-

A lot can happen between now and mid-February and analysts will be focusing their attention in particular on this week's economic news which will give the first clue about





how strongly the US economy performed in November. To-morrow's release of the Nov-ember index of leading ember index of leading economic indicators is expec-ted to show a gain of between 0.3 per cent and 0.5 per cent but the real interest will be centred on Friday's US employ-

gives has testimony to Congress.

"Since another one-half percentage point discount rate cut would not be sufficient to boost growth, expect two or more additional half-point cuts, some in co-ordination with other central banks," says Mr about 225,000 people per month —for any extended interval. It is looking for last month's is looking for last month's 298,000 person upsurge to be offset in coming months and is anticipating a payroll employment increase of around 190,000 people. "If we are mistaken, it is likely to be because the argual is likely to be because the actual number is weaker rather than stronger," says Kleinwort.

stronger," says Kleinwort.

In the corporate bond market, traders are continuing to monitor the health of the high yield, low grade "junk bond" issues in the wake of the Ivan Boesky insider trading scandal. Smith Barney says that it is significant that the "junk" market has weathered two of its most widely feared crises—the bankruptcy of a major issuer (LTV) grader trained an interruption of liquidity, "While both events point out tangible and significant risks associated with speculative paper, the market's behaviour in the aftermath of each crisis also attests to its resilience," says Smith Barney. Nevertheless, there are signs

that the pace of "junk bond" issues has slowed recently. Revlon's abandonment of its \$4.1bn bid for Gillette has removed the need for one major issue from the market and analysts are still waiting to see how easily Drexel Burnham Lambert, the investment bank which pioneered the market, can market a major new issue of below investment grade paper. The planned issue of \$500m of 15-year subordinated debentures for Bond Brewing Holdings of

Meanwhile, investment grade issues have again begun to dominate the new issue calen-dar. The Canadian province of Quebec brought to market a 40-Quebec brought to market a 40year debenture which was
priced at 102 basis points above
the US Treasury 9t per
cent due 2016, and yielded
8.66 per cent. The issue,
which was rated AA3 by
Moody's, was non-callable for
life and was increased in size
by \$50m to \$300m.

Among other well-known
corporate names tanning the



Ireland

U.S. \$500,000,000

Floating Rate Notes Due September 1998

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Nomura International Limited SALOMON BROTHERS INTERNATIONAL LIMITED

BANK OF TOKYO INTERNATIONAL LIMITED BANKAMERICA CAPITAL MARKETS GROUP

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SUMITOMO FINANCE INTERNATIONAL Union Bank of Finland Ltd

8th September, 1986

All of these securities have been sold. This announcement appears as a matter of record only

UK GILTS

£400m issue brings rally to halt

ON TWO occasions in November the Bank of England made available stock which appeared to be targeted at pockets of demand in an otherwise fragile market. In both cases, the beginnings of a cautious rally were snuffed out.

About two weeks ago, the Bank took onto its books two guessed that, in response to the stock and since then this sector further. About two weeks took with particular attractions attock and since then this sector for foreigners.

However, the business was done in very mainstream stocks and suggests that last week's incoverment in sentiment has not provement in sentiment has not provement in sentiment has not provement in sentiment has not resulted in anything like generalised demand.

Still, given the relatively low level of gross gilt sales still needed to fund the public sector borrowing requirement finew of a similar size would be needed. It is therefore stock and since then this sector for foreigners.

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Cou

available stock which appeared to be targeted at pockets of the targeted at pockets of market. In both cases, the market. In both cases, the beginnings of a cautious rally were snuffed out.

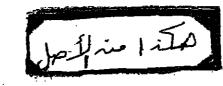
About two weeks ago, the sank took onto its books two stock and since then this sector has gone quiet. On Friday, it announced the issue of £400m of stock, spread across the maturities spectrum, and prices promptly fell by about half a point, bringing to at least a temporary halt what had looked like the glimmerings of a retail demand that even relatively modest amounts of stock have been enough to stop the market in its tracks, despite time for foreigns and confirmed have been enough to stop the market in its tracks, despite time for of or oil prices firmed significantly.

It was not perticularly surprovent. It was not perticularly surprovent in sentiment has not resulted in anything like surprovent. The report argues that, what-resulted fin anything like surprovent. The report argues that, what-resulted fin anything like feathed. Still, given the relatively low seems a set of foreigners.

And it did. All three stocks—10; per cent Treasury Comparison to the situation of gross gilt sales still the public sector borrowing requirement inflow of a similar size would the public sector borrowing requirement inflow of a similar size would in surgests that last week in anything like fearned for next year last week, the Bank would offer sank took onto its books two seems and the public sector borrowing requirement inflow of a similar size would the public sector borrowing requirement inflow of a similar size would instinct the public sector borrowing requirement inflow of a similar size would the public sector borrowing requirement inflow of a similar size would from any continue to fund in public years of the surgests that last year and the surface of fund the public sector borrowing requirement inflow of a similar size of the market can forget concerns about indication in the needed to fund the public sector borrowing requirement

FT/AIBD INTERNATIONAL BOND SERVICE

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lec de France 112 93 100	108', -0', 8.74 117', +0', 7.51 105', -0', 6.47	World Bank 167, 88 100 1177 +04 6.18 Yearda Trust 127, 89 100 1177 0 7.06 ROATING RATE NOTES Issued Price week C.cpn	ABN 8 89 200 104 -04 5.93 ABN 74 89 150 1027, -04 5.97
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ligsho iwai 10% 82 100 lorak Hydro 8 86 750 lova Scotia 11% 91 100	88- +0- 8.22		SSC Finence 77/9/92 0 Signant Wayn Fin 19/8/92 2034 +14 11.25
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報文書

Plessey fails on Leucadia System X deal

PLESSEY, the UK electronics and for the two British supplier compadefence group, has failed in its at mies to turn a profit on the equiptempt to break into the French man ment. ket with its System X telephone exchange equipment following a three-month assessment by the tem X that it stood only an outside

telecommunications authorities. The French decision to reject Plessey's bid was conveyed personally to Sir John Clark, chairman of US, Eriesson of Sweden and Siethe UK company, by Mr Gerard mens of West Germany, have been Longuet, Minister of Posts and talking to the French for well over a Telecommunications, at a meeting year and have had the opportunity in Paris last week.

Mr Longuet said that System X, the digital switch developed jointly by Plessey and GEC of the UK, did not meet the technical require-ments of the Direction Générale Government-owned telecommuni-

Plessey would not comment on the meeting in Paris. But the Government ruling almost certainly means that the company will have to abandon its plans to join the international bidding battle for the takeover of CGCT, the French company which has a stake of around 16 per cent in the \$370m-a-year domestic public telephone equipment

The decision also means that one more overseas market has closed to System X, which has won only one tiny foreign order in the West Indies so far. Contracts overseas to

Plessey acknowledged when it approached the French with Syschance of winning approval. Other large international telecommunication groups, including AT&T of the to put their equipment on detailed

test with the DGT. In addition, Plessey's case cannot have been helped by British Tele-com's rejection last year of the E10 switch made by the CGE group of des Telecommunications (DGT), the France as a UK alternative to System X. The French have made no secret of the fact that they were deeply angered by the decision and particularly by the brusque manner they believe they were dealt with

> however, to indicate to Piessey that other markets might be open to it in France. In particular, he underlined the openings in cellular radio tele-phone systems and in private branch exchanges, two areas which

Plessey has earmarked for attack. In addition, it is believed that there may be possibilities for over-seas suppliers in overlay or bypass services, where special equipment supplement deliveries to British is installed for clients who require Telecom in the UK will be essential particularly high-grade services.

Samancor surplus falls to R165.4m in interim

ny, saw a worldwide drop in carbon steel production affect ore and alloy sales in the six months to Septem-

ber 30, 1986. Nevertheless, strong demand for ferro-chrome and the persistent weakness of the rand against the dollar combined to lift the half- to R37.2m (\$8m) from R46.7m in the

The first-half's turnover rose to interim operating profit before tax R401m (\$86.2m) from R35im in the and interest fell to R3.5m from corresponding period of 1985, but R5.4m and the pre-tax profit was the interim pre-tax profit slipped to R1.9m against R3.5m. Turnover was R165.4m from R165.6m. In the last R94.2m in the financial year to financial year turnover totalled March 31 1966, the operating profit R803m and the pre-tax profit was was R7.9m and the pre-tax profit

SAMANCOR, South Africa's largest Rand London, the troubled South manganese and ferro-alloys compaby Burnett and Hallamshire, suffered a profit decline in the six months to September 30 and is continuing with its rationalisation and asset disposals programmes.

corresponding period of 1985, the

buys 39% stake in **PHLcorp**

By William Hall in New York

LEUCADIA NATIONAL, the financial services and insurance group which has taken equity positions in several takeover stocks, is seeking control of PHLcorp, formerly known as Baldwin-United, whose collapse in 1983 sent shock waves through Wall Street and the insurance industry.

cent stake in PHLcorp and said in a filing with the US Securities and Exchange Commission that it planned to hold a shareholders meeting as soon as possible to nominate its own directors.

Leucadia said it would conduct a detailed review of PHLcorp, its ets, operations, properties and policies and might seek to implement one or more plans or pro-posals to maximise the value of its investment. PHLcorp shares closed \$¼ higher at \$11¼ on Fri-

day.

Baldwin-United changed its name to PHLcorp last month as part of a plan to distance itself from its past following its emer-gence from one of the largest and most complex bankruptcy reorganisations in US corporate his-

The company is engaged pri-marily in trading stamps incentive schemes, travel services and

The company recently disclosed a pro-forma balance sheet as of the end of June which showed assets of approximately \$500m, of which just under half that it would have liabilities of \$491m, of which just over \$200m would have been reserves for life, accident and health and other insurance related benefits and \$170m would have been estimated liabilities for unredeemed

trading stamps.
Mr Peter A. Martosella,
PHLcorp's chief executive and a principal of the Palmiere compa-ny which has a management services agreement with the group, said last month that with the reorganisation completed the company's management "intends to move vigorously to maximise the opportunities available to it."

Japanese utilities' profits rise 62%

BY YOKO SHIBATA IN TOKYO

pan's nine main electric power utilities surged 62.5 per cent to Y620.1bn (\$3.83bn) in the first half-year to September, drawing benefit from the yea's appreciation and falling

crude oil prices.
In addition to the three major companies - Tokyo Electric Power, Kansai and Chubu - another three which achieved record results were Hokkaido, Shikoku and Kyushu. Windfall profits from the strong

yen and cheaper crude amounted to Y686bn, up about Y80bn from their initial projections. From the windfall, the nine companies made re-bates totalling Y490.3bn to customers including industrial users. The remainder was retained as internal

Combined electricity sales fell 0.5 per cent to 259.8bn kilowatt hours, or a 7.4 per cent fall in value terms to Y5,940.6bn. This reflected depressed industrial power consumption in manufacturing industries which have been hit hard by the appreciation in the Japanese curren-

For the second half-year, the nine power companies expect an in-crease in demand for electricity from household and service sector trial use is thought unlikely to re- and bond markets. cover yet. The electricity generating industry is likely to cor me under

COMBINED pre-tax profits of Ja. • Japan's seven leading trust banks, which handle fund management business, achieved record pretax profits totalling Y260.53bn (\$1.61bn) in the first half-year to September, a jump of 92.3 per cent from the comparable period of 1985. Net profits showed a 97.6 per cent increase to Y102.96bn, also a record.

The earnings strength was attribut ed to the improvement of their in-terest spread. Fund procurement costs declined in line with the lowering of long-term interest rates in Japan, while a much smaller decline was shown in operating yield such as interest rates for housing

The buoyant earnings performance was also attributed to a sharp gain in income from trust business and securities and proper ty transactions. Combined income from trust fees such as loan trusts and money funds gained by 34.8 per cent to Y236.5bn.

Combined commission income jumped by 60.5 per cent to Y152.9bn, a gain which was attributed to active participation in securities and bond markets by institutions and called Tokkin specialised trust accounts and other funds, a trend itusers. However, demand for indus- self reflecting the strength of stock

The net increase in Tokkin ac counts and trust funds in the Aprilpressure from export industries to September half-year reached cut power rates substantially at a Y5,661.9bn, equivalent to that scheduled adjustment in charges on achieved in the whole of the previous financial year.

	PARESE E t company n					38
	\$a Ybn	les %	Pre-ta Ybn	x profit %	Het Ybn	profit %
Hokkaido	217.5	(- 23)	19.6	(+65.9)	12.3	(+ 98.3)
Tohoku	517.1	(- 94)	11.3	(+24.4)	20.0	(+ 11.0)
Tokyo	1,978.9	(- 6.0)	186.9	(+83.2)	90.4	(+141.0)
Chubu	846.3	(-10.4)	134.6	(+95.7)	65.7	(+143.3)
Hokuriku	178.4	(- 7.2)	21.8	(- 2.7)	9.9	(+ 16.1)
Kansai	1,060.5	(- 6.2)	113.6	(+73.7)	46.8	(+190.9)
Chugoku	403.5	(-11.9)	32.8	(+16.1)	17.9	(+ 18.5)
Shikoku	201.3	(- 9.8)	25.4	(+12.3)	12.8	(+ 11.9)
Kyushu	536.7	(- 5.5)	13.6	(+62.7)	19.5	(+ 10.6)

JADANESE TOHET BANKS

Pare		ry results,			nber 198	36	
	Operation	g income	Pre-tax profit		Net profit		
i	Ybn	%	Ybn	%	Ybn	9	
Sumitomo	427.9	(8.8)	64.6	(77.7)	25.0	(10	
Mitsubishi	420.2	(-0.7)	60.1	(72.8)	24.9	(10:	
Miteui	349.6	(1.5)	47.4	(106.7)	19.2	(8	

Y Canadian bank improves

BY BERNARD SIMON IN TORONTO

BANK OF NOVA SCOTIA, Canada's fourth biggest banking group, raised net income to C\$336.2m (US\$243m) or C\$1.94 per share, in the year to October 31, from C5303.6m, or C\$1.82 a share, in fiscal 1985. Fourth-quarter earnings rose from C\$82.3m to C\$100.1m.

The bank ascribed the improve-

ment partly to a 5 per cent increase C\$376.3m to C\$435.4m.

Annual loan losses grew from C\$224.2m last year.

in earning assets to C\$59.8m, main- BNS's loan loss provisions in the ly in the form of Canadian loans, table on page 15 of the Canadian mortgages and bankers accept. Banking Survey published on Octoances. Non-interest income climbed ber 3 were inadvertently shown as 23 per cent to C\$435m. reflecting quarterly figures instead of the higher foreign exchange revenues, nine-month data given for other corporate credit fees and new prod- banks. BNS's nine-month provisions were C\$306.3 in 1986 and

NEW INTERN	ATIO	IAL R	OND IS	SHES

Sorrewers	Amount EL	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yiek %
U.S. DOLLARS							
inces ind. §‡	. 61	2001	15	51/2	100	J. H. Schroder Wago	5.600
Aichi Tayata Mater Co. 9:	28	1991	5	374	100	Nomura lat.	3.756
Kanto Katurel Gas 11	40	1991	5	34	100	Yamaichi Int. (Eur)	3.750
Harima Chemicals ¶‡	30	1991	5	37/4	108	Danwa Europe	3.750
Pepsico ‡ ECSC ‡	100	1981	5	7% ****	1811/2	SECI	6.865
Standard Chartered (b) 1‡	85 289	1995	10	81/4 15bp	104,2 188	Shearson, Sumitomo Tr. CSFB	7.634
Swedish Export Cr. ‡	209 100	Рагр. 1991	5	120p 7%	1013/4	Daiwa Europe	6.825
Daiwe O'sees Fig. 1	100	1993	7	7%	10154	CSFB	7.567
USS Figures ‡	208	1993	ź	7%	101	UBS (Secs)	7.964 7.964
Bfineties ‡	190	1991	Ś	7%	101%	Daiwa Europa	7.289
Pokang Steel (c) †‡	75	1998	18	1/2	190	BA (Asia)	
Shisaide Co. ¶	120	1991	5	(35/a)	109	Daiwa Europe	•
Rhone-Poulenc (d)†‡	380	Perp.	_	₩.	100	Société Générale	-
IBJ Finance ‡	209	1992	5	7 %	1813/4	(BJ Int.	7.039
Yodogawa Steel Wils 1	70 -	1991	5	(33/4)	186	Yamaichi ktt. (Eur)	
Chibe Back § Takasago Thermal Eng. ¶	100 25	2002 1991	151/4 5	(2¾) (3¾)	100 189	Nomera Int. Yamaichi Int. (Eur)	
Dev Bit of Singapore S	180	199 i 2001	15	(4)	180	Daiwa Secs.	
	leh	2001	13	147	100	DENIO COST	
CANADIAN DOLLARS Lobisov Cos. (a)‡	75	2001	15	10	1011/4	Orion Royal Bank	9.837
D-MARKS				-	-		
Neder. Middenstandskk 9‡	150	1993	7	21/4	180	BHF-Bank	2.256
SWISS FRANCS				_			
ichikoh ind. **5‡	38	1992	_	11/0	106	SBC	1.12
Nippon Chemiphar ** ¶ 1	50	1991	-	2%	109	Boe Paribas (Suisse)	2.375
Skisside Co. ¶ Skisside Co. **¶	160 100	1993 1993	-	(214) (21 <u>4)</u>	·	Credit Suisse Credit Suisse	
Meidensha Elec. Mig. **§	12B	1992	-	(1½)	(100)	Banca dei Gottanio	
Dai-Ichi Seiyaku **§	108	1992	_	(11/2)	fami.	Credit Suisse	
Bge Algericans d'Dev. (e) †‡	69 max.	1996	-	1/2	108	SBC	_
Nankai El. Railway ""1	50	1991	_	47/2	108%	B.della Sviz. Italiana	4.789
Osaka Fish Market ** \$	50	1992	_	(11/8)	•	Handeishank	•
Takara Standard **§	49	1992	_	(11/2)	108	Bank Julius Beer	•
Kinngawe Bobber " *	20	1993	_	(5)	(9934)	Crádit Suissa	•
Kingawa Rubber ¶	30	1993	-	(25%)		Crédit Suissa	
EB **‡	175	1991	-	45/2	1081/4	UBS	4.585
Standard Chartered 1	300	1997				Hendelsbank	
ECUs					****		
Fiat Fig. and Trade ‡	50	1991	4.6	8 75⁄2	101%	San Pasio Bank	7.536
Aerospatiale ‡	75	1992	5	/92	160-74	Credit Lyonmis	7.440
GUILDERS Credit Fencier 1	250	1997	18	61/2	100%	ARN	6,465
		1001		0.72	10077		
DANISH KRONER Caripio ‡	258	1993	61/2	10%	100	Enskilde Secs.	10.375
		1939	-74	- 10-70		Literate vova,	10-3/3
LUXEMBOURG FRANCS Morgan Granfell lav. **‡	380	1992	8	7%	100	Krediethank lot.	7.375
European Community 1	1bn	1996	10	7	100	Krediethank lat.	7.808
YFM							
YEN Italy ‡	36ha	1992	6	5%	1091/2	IBJ Int.	5.Z/6
Italy I	38hn 20hn	1992	6	8	1091/2 113	Homera int.	
							5.276 5.405 5.376

nting rate note. T With equity warrants. Ø With boad warrants. Il Cerency-le r bouds. (b) 15bp over 6m Libor, additional \$180m tep. (c) ½ over 6m Libo rears to maximum of 1%. (e) ½ over 6m Libor. (f) Compan 3% to June 1996

This announcement appears as a matter of record only.

November 1986



J. BIBBY & SONS PLC

£70,000,000

Multi-Option Facility

Arranged by

COUNTY NATWEST CAPITAL MARKETS

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Banque Paribas (London) Crédit Agricole London Branch Midland Bank ple N M Rothschild & Sons Limited Standard Chartered Bank

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Australia and New Zealand Banking Group Limited Bank of Montreal Barclays Bank PLC Chase Investment Bank Crédit Agricole London Branch Dresdner Bank AG Samuel Montagu & Co. Limited National Westminster Bank PLC The Sanwa Bank, Limited

Standard Chartered Bank

Société Générale

ANZ Merchant Bank Limited Banque Paribas (London) Brown, Shipley & Co Limited County NatWest Capital Markets Limited **Credit Suisse** Midland Bank ple

Morgan Grenfell & Co. Limited N M Rothschild & Sons Limited Société Générale London Branch S. G. Warburg & Co. Ltd.

Facility and Tender Panel Agent NatWest Investment Bank Limited

♣ The NatWest Investment Bank Group

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Record profits for 1986

Summary of Results

Year ended 31st May	1986	1985
Turnover	£241.7m	£276.6m
Profit before tax	£42.4m	£38.6m
Earnings per share	42.97p	38.61p
Total dividend per share	6.50p	5.90p

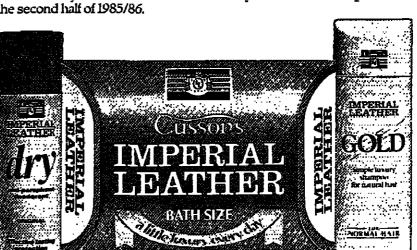
Highlights 1985/86: In a year when, as a result of exchange rate movements, the contribution to group profits from the Nigerian operations has declined, it is very encouraging to be able to report improvements elsewhere in the group which more than offset this fall.

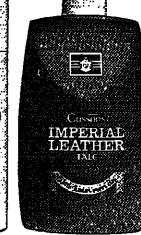
Considering the difficulties under which they were operating the Nigerian companies did remarkably well. The new economic measures introduced in September should help to achieve a satisfactory rescheduling of the country's foreign exchange obligations which in turn should allow time for the local economy to benefit from the relaxation of controls.

Profits of the Cussons group showed significant improvement. The U.K. companies made further gains in market share and continued to benefit from favourable raw material prices. Record profits were made in Australia while the Kenya company maintained its position and both these subsidiaries have plans to increase their production capacities.

Current year: The movement in Nigerian exchange rates means that group profits of the first half-year are expected to be lower than the corresponding period of last year. Results of the second half-year should be comparable with







PATERSON ZOCHONIS PLC, BRIDGEWATER HOUSE, 60 WHITWORTH STREET, MANCHESTER M1 6LU. Africa - United Kingdom & Europe - Australia & Far East

P[Z]

UK COMPANY NEWS

THE MCCORQUODALE CASE

Panel chairman to explain 'concert party' rejection

SIR JASPER HOLLOM, chairman of the City Takeover Panel, will today tell the Court of Appeal why the Panel rejected a "concert party" complaint made by Prudential-Bache, the US securities house, in the battle over the £155m takeover bld by printer Norton Opax for McCorquodale, and benefited finantial takeover bld by printer Norton Opax for McCorquodale, and benefited finantial to succeed, and benefited finantial to succeed,

fin, a company formed by an element in McCorquodale that the K10 purchase.

Fru-Bache's complaint to the Bache amended its claim to add

Office, one of Norton's "core" been made to enable KIO and underwriters, at 315.5p, when Norton's cash alternative was on the same side and in time 303p, was the result of a "con-with each other, and to do so 303p, was the result of a "concert party."

The KIO purchase tipped the balance in favour of the Norton

on the same side and in time orders against the panel.

The hearing is expected to finish today and the likelihood with each other, Mr Lever said.

Any panel acting reasonably.

Rushlake has

10% stake in

Mitchell Cotts

Rushlake Holdings has increased to 10 per cent its stake in Mitchell Cotts, the engineering, chemical and trading

When Rushlake, a private

company controlled by the Jivraj family, first built up a stake in Mitchell early this month, it stated that it viewed

Circaprint Holdings, USM-quoted maker of circuit boards produced slightly lower pre-tax

from £7.35m to £8.51m.

pared with 1.05p last time.

FT Share Information

The following securities have been added to the Share Information Service.

Berry, Birch & Noble (Section:

Insurance)

with Mitchell Cotts.

Circaprint

ffer. he submitted, would have in-Pru-Bache alleged that KIO ferred from what had happened cted in concert with Norton that there must have been an agreement or concert party.
Pru-Bache believes that its Pru-Bacne beneves that its judicial review claim is an all or nothing one: that if it does not have a claim under public law it has no claim at all.

However, part way through the hearing, at the invitation of Sir John Donaldson, the Master of the public states of the public states.

of the Rolls, the company produced a writ claiming the private law remedies of an injunction and damages against The existence of the writ will

enable the court, if it decides that the panel is not susceptible Pru-Bache's complaint to the panel, and the basis of its challenge to the panel's ruling, have been overshadowed by the fact that the court hearing has become the first detailed examination of the legal status of the panel and the extent, if any, to which it is under the control of the courts.

Pru-Bache complained to the panel and to the panel that a last-minute purchase of McCorquodale shares by the Ruwait Investment Office, one of Norton's "core"

Bache amended its claim to add an allegation that the panel had also misdirected itself as to what was the proper test of what to be the case there would have to be found some form of contractual relationship between the panel and companies appearing before it. Such and Norton prior to, and relationship would enable a company dissatisfied with a panel ruling to go to court—without the judicial review process requirement of first having been made to enable the court, if it decides that the panel is not susceptible to public law, to see whether it can be sued under private law.

For that to be the case there would have to be found some form of contractual relationship between the panel and the tast panel is not susceptible to public law, to see whether it can be sued under private law.

For that to be the case there would have to be found some form of contractual relationship between the panel and to the what was the proper test of can be sued under private law.

For that to be the case there would have to be found some form of contractual relationship between the panel and companies appearing before it. Such and Norton prior to, and relationship between the panel and companies appearing before it. Such and Norton prior to, and relationship between the panel ruling to go to court—with the panel and to the panel and companies appearing before it. Such and the panel and to the

to seek permission from the court—and claim private law

Cranswick Mill lower USM-quoted animal feeds manufacturer and dealer in wholesale livestock, reported pre-tax profits down from £426,000 to £391,000 in the half year to September 27, 1986, largely as a result of a disappointing second quarter.

Tax fell from £167,000 to £127,000 to £127,000 to £127,000 to £127,000 to £137,000 to £137,000

The directors said that the to 45p (6.7p). The interim was year had started encouragingly, 1.85p as against the 1.77p with first quarter results in indicated in the prospectus.

Munton £1.9m rights the holding as a long-term investment. It has had no contact Munton Brothers, clothing Although the directors were manufacturer and supplier to unable to make a profits fore-Marks and Spencer, has cast for the year, they announced a nine-for-ten rights announced that sales had im-Rushlake has a 57 per cent controlling stake in London Park Hotels and also has a 6.4 per cent stake in Wigfalls, the announced a nine-for-ten rights issue to raise £1.9m. The directors have indicated that £1.35m of the proceeds will be used for spending on new plant and £200,00 on computerised control systems.

Plans are underway to establish a garment processing operation at a cost of about £415,000.

Announced that sales had improved in recent weeks and that they viewed the future with confidence. In the year to June 30, 1986, Munton made pre-tax profits of £111,000.

Just more than 14.8m new shares will be issued at 14p each. Barclays de Zoete Wedd will act as underwriters. electrical retail and rental group. It recently sold a 10.9 per cent stake in Thermax Holdings, the USM-quoted glass manufacturer.

COMPANY NEWS IN BRIEF

profits fort he year to August 31 1986 at £627,000 against against MILFORD (DONEGAL) Bakery net per share. Directors conand Flour Mills: Final divident in prospects for continued dend 2.5p (nil), making 2.5p growth, both organically and by for the year ended August 30, acquisition. After tax of £209,000 (£148,000) earnings per 10p share were down from 9.3p to proposing an increased single final payment of 1.278p, com-

TRUST net asset value was MARINE ADVENTURE Salling 483.1p (349p) per 25p share at Trust net asset value per £1 end October 1986. Earnings per share was 282.6p (207.3p) at share were 6.55p (5.81p). Final revenue £31,000 £15,000). dividend 4.25p making 6.55p Total distributions to the (5.95p) total. After-tax revenue Warine Society (gross) £122.463 (£151.320).

1986. Turnover I£6.6m (£6.4m)
and pre-tax profit I£41,279
(I£265,175 loss). Net profit
I£29,694 (I£256,551 loss) after
tax of I£11,585 (I£8,624 credit).
Earnings per share 4.69p
(43.02 loss).

Example 1986. Turnover I£6.6m (£6.4m)
EERRY PACIFIC (Sterling)
fund: Net assets attributable to shareholders equity of the fund at September 30 1986
fund at September 30 1986
income for the period was £46,633 (£270,108).

Insurance;
Citygrove (Property)
Comtech 11-pc Gtd. Conv. Uns.
Ln. 1996 (Industrials)
Interlink Express (Industrials)
Nationwide Bldgs. Soc. 11-pc
26/10/87 (Loans, Building
Societies)
Newage Transmissions (EngiNewage Transmissions (EngiTransmissions (EngiT

British Gas to take soft line on late applications

By Richard Tomkins

As the response to the 25.5bn offer for sale of shares in British Gas gathered momentum over the weekend, N. M. Rothschild, the merchant bank sponsoring the issue, indicated that it was likely to take a soft line over applications which failed to arrive before this Wednesday's 10 am deadline.

The total number of applications received so far is well over 2m and the forms are now arriving at the rate of more than Im a day. This means that even if only a small preportion is delayed in the post, many people's applications will fail to meet the deadline.

the deadline.

To avoid bad feeling among would-be investors, Rothschild says it is likely to take a lenient view of late applications provided they carry a first class stamp and are need. first class stamp and are post-marked with a date no later

than tomorrow's.

A poll of 100 institutional A poll of 100 institutional fund managers by City Research Associates found that 36 per cent of them expected British Gas's shares to go to a premium of 10p to 20p when dealings began, and 33 per cent expected a premium of 20p to 30p. This compares with Friday's "grey" (unofficial) market price of 62p for the 50p partly-paid shares.

It also emerged that the majority of applicants so far have opted for the incentive of the one-for-10 loyalty bonns at the end of three years rather than the gas bill

years rather than the gas bill vouchers, suggesting that a high proportion of applicants intends to become long-term shareholders.

Leopold Joseph down midway

Leopold Joseph Holdings, banking and merchant banking concern, said profits before tax for the half year to September 30, 1986 were somewhat lower than in the corresponding period of the previous year. This reflected the not unusual pattern in the not unusual pattern in the flow of business, the

the now of business, the directors stated.

They declared an unchanged interim dividend of 2.812p per £1 share. The current year's outcome was again expected to be satisfac-

BOARD MEETINGS

dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timerable.

TODAY

Interims: Arlen, Chamberlin and Hill, Chelses Man, Craighton Laboratories, Drummond, Lynton, Merling Industries, Norton Opax, Platon International, Stirling, TR Natural Resources investment Trust, Zygel Dynamics.
Finals: AE, Thomas Borthwick, Dundee and London Investment Trust, Polly Peck, Trafalgar House.

FUTURE DATES

FUTURE DATES Interims—
British Benzol
DSC
Devis (Godfrey)
Equity Consort Invest. Trust
Friest (Benjamin)

Finals... Rairline Boats Barry Riley on the listing of MIL Research

Expanding into a bigger league

ON HEARING Rudi Goldsmith and Stanley Orwell arguing with each other, the visitor might conclude that their relationship could not last long. In fact, the two have been close business partners for more than 30 years, building up Britain's sixth largest market research company MIL Research Group.

search Group.

Later this mouth the com-pany will obtain a stock market listing through a placing by County. Part of the proceeds will be used to buy a similar, though smaller, US business called Market Measures, buildcatter market measures, oblic-ing up the group's overseas operations which already in-clude an American subsidiary as well as a German business. as well as a German business. The move, according to Mr Goldsmith, the chairman, marks the company's graduation to a bigger league. "Market research has ceased to be a cottage industry." he says. "You have to get bigger or you have to become a boutique. The market for middle-sized firms will be squeezed."

MIL has sought to avoid the

MIL has sought to avoid the most competitive sectors of the most competitive sectors of the market research industry, where large sums have to be spent in tendering for each contract against many rivals. The company finds that it rarely has more than two or three competitors in its own fields.

It has prospered on the basis of several specialties, dealing especially for the pharmaceuti-cal, motor and information technology industries, Although MIL has a few major regular clients like General Foods and Unilever in the consumer field, it generally steers clear of this

highly competitive area.
"We have a smaller than



Mr Rudi Goldsmith, the MIL chairman

emphasises. Healthcare is a major client area, where MIL works for most of the major pharmacentical companies, measuring markets and assessing the views of the medical profession. Its Chicagobased subsidiary will now be merged with the similar New Jersey-based medical research specialist Market Measures, and the latter's president Mr Bernard Koff will be joining the board.

One notable activity in the US is the operation of a hospital technology and the proceeds will be used to enable MIL to take up its option to purchase

US is the operation of a hos-pital technology audit under an exclusive agreement with the American Hospital Association, providing data on diagnostic

In the motor industry MIL has pioneered the technique known as quality tracking, whereby component faults in cars can be detected through market research techniques before they show up, much normal percentage of our work market research techniques in the area of interviewing before they show up, much housewives," Mr Goldsmith more expensively, in warranty

e's'ms. Ford, Jaguar, Rover and Volvo are among the manufac-turers using this service, which involves telephoning car buyers 30 or 80 days after delivery.

The third speciality sector is information technology, where MIL's subsidiary Industrial Data has helped to set up the Comtec service, a multi-client database which covers current and potential users of various information technology pro-

ducts.

Jointly founded in 1955 by
Mr Goldsmith and Mr Orwell,
deputy chairman, MIL (originally known as Market Investigations Limited) now has five subsidiaries and a nine-man subsidiaries and a mine-man board. Turnover, including Market Measures, reached £9.8m in the latest year, and pre-tax profits were £772,000, with a significantly higher figure expected for the current

year.
In the past MIL has been owned on a 50-50 basis by the two founders, but there will now be a substantial restructuring. "At one stroke I have settled many of the commercial questions for the company," says Rudi Goldsmith.

take up its option to purchase Market Measures. Elsewhere, minority stakes held by execu-tives in subsidiaries will be rolled over into shares of the parent group.

Mr Goldsmith says that the public listing will enable MIL to consider further acquisitions, though no particular deal is in mind at present. It will be provided to effect stock also be possible to offer stock option schemes to executives.

FIVE YEAR RECORD The question of providing for

management succession has also been a factor. The excitable and voluble Rudi Goldsmith is said voluble Rudi Goldsmith is said to have provided the company's business drive, while the soft-spoken Stanley Orwell has provided much of the creative talent. But with the more than doubling of turnover in the past five years much of the day-to-day responsibility for projects has already passed to other executives.

The two founders are not planning retirement yet, and they will retain a controlling stake, but they are concerned about the continuity of the business. Mr Goldsmith mentions the possibility of a management busyout of the controlling buyout of the controlling interest eventually.

interest eventually.

Meanwhile, he says, the challenge for market researchers is to develop a multinational capability, and to invest in expensive databanks. MIL already has extensive computer-based facili-ties which enable it to monitor the results of surveys while they are still under way.

are still under way.

There is an increasing need to deal with the head offices of large multinationals. "Local management is losing authority for market research," says Rudi Goldsmith. "Products are becoming too expensive to be designed for one market, International product managers require international surveys to quire international surveys to be conducted under comparable

Alice Rawsthorn looks at the latest USM flotation

Northumbrian makes a healthy debut

ALL TOO often accounts of a factory was rented, the mach-name was gradually dropped, production began of "healthy" company's passage to public inery accound hand. The Two years later the company crunchy bars. Initially these quotation make it all sound so company had no assets to use diversified into private label bars were made by hand in quotation make it all sound so simple. As the experience of Northumbrian Fine Foods, a health food and biscuit pro-ducer which is joining the USM tomorrow, shows it is often fraught with difficulties.

In 1970 Mr Richard Adam a Lloyds insurance broker who had grown tired of spending his days "standing in queues waiting for underwriters or being herded like cattle into The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposa of considering dividends. Official indications are not systlable as to whether the dividends available as to whether the dividends can be dividended as the sub-

Shaws, which had begun life as the Cottage Bakery manu-facturing a family recipe of Yorkshire parkin, then supplied a limited range of specialist biscuits to food stores across the country. "The biscuits were wonderful," recalled Mr Adams. "But the factory looked like something from the 1890s. I was young, just 24, and idealistic. I was convinced it would be no problem at all to take it in hand. But it proved to be much more difficult than I had thought."

The chief problem was I money, or rather the lack of it.
Mr Adams had sunk most of his own capital into buying the

as security for a loan. But in order to increase sales, then standing at \$39,000, Mr Adams desperately needed to expand.

But in the early 1980s dis
unversined into private label oars were made by hand in products, supplying biscuits to the factory but now account for the health foods division of 50 per cent of turnover.

Northumbrian is still active the product development.



Jungle Bar-the recent innovation devised as a healthy alternative to chocolate

per cent holding for £7,800. same time raw material prices The company increased pro-rocketed. This prompted a duction and turnover rose sharp rise in biscuit prices, steadily throughout the late and a consequent fall in sales.

Northumbrian range of products was introduced, using the same high quality ingredients but less expensive packaging. The Shaw's brand

standing at £39,000, Mr Adams desperately needed to expand.

Three banks later, he finally secured an overdraft of £10,000. Investors in Industry then produced a loan of £30,000 and took an option on a 29

Booker McConnell.

But in the early 1980s distinction the product development aster struck. In 1981 the field. It aims to introduce between 20 and 30 new cover careb coated products a year and uses the flexibility of its small product an option on a 29

These accounted for half the flexibility of its small product an option on a 29

These accounted for half the flexibility of its small product development in the product development field. It aims to introduce between 20 and 30 new coverage and uses the flexibility of its small product development aster struck. In 1981 the field. It aims to introduce between 20 and 30 new coverage and uses the flexibility of its small product development aster struck. In 1981 the field. It aims to introduce between 20 and 30 new coverage and uses the flexibility of its small products are products at the flexibility of its small products are products at the flexibility of its small products are products at the flexibility of its small products are products at the flexibility of its small products are products at the flexibility of its small products are products at the flexibility of its small products are products at the flexibility of its small products are products at the flexibility of its small products are products at the flexibility of its small products are products. a fruity chewy bar devised a

a healthy alternative to chocolate which additive contheir children.

In its last financial year, to March 31, Northumbrian produced pre-tax profits of £361,000 on turnover of £3.5m. In the current year it should muster profits of £450,000. After the share placing, After the share placing, through the stockbrokers Earnshaw Haes and Penney Easton, it will be valued at around

Northumbrian decided to go public in July after narrowly steadily throughout the late steadily regained lost convinced that shares would have helped shares developed the first both customers and production has shares would have helped of both customers and production has the company is eager to been extended to Boots, sainsbury and Nestle. Overall among the privately owned companies which make up the fertile "cottage" industries of missing a takeover opportunity. In retrospect Mr Adams is private label activities now companies which make up provide 80 per cent of turn-fertile "cottage" industries over. In the early 1980s fine foods and wholefoods.

This advertisement is issued in compliance with the regulations of the Council of The Stock Exchange for the grant of permission to deal in the Ordinary Shares of 10p each of the Company in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing and that this advertisement does not constitute an invitation to the public to subscribe for or to purchase securities.



Gaynor Group plc

Share Capital

Authorised £650,000

Fixed Interest ...

FT-Act All Share

FT-SE 100 ...

Issued and now being issued fully paid.
Op £516,430 in 6,500,000 Ordinary Shares of 10p Placing by Capel-Cure Myers

1,702,850 Ordinary Shares of 10p each at 94p per share

Gaynor Group ple supplies a range of quality plastic packaging products, principally carrier bags, to major high street store and supermarker groups, merchants and packaging converters in the U.K.A proportion of these ordinary shares has been offered to Henry Cooke, Lumsden Limited, P.O. Box 369, 1 King Street, Manchester M60 3AH.

Member of the ARE Group

Full particulars of the Company are available through the Extel Unlisted Securities Market Service, and copies may be obtained during usual hours up to and including 15th December, 1986 from: Capel-Cure Myers, London EC1A 2EU

1st December, 1986

FINANCIAL TIMES STOCK INDICES Nov. Nov. 25 81.75 81.77 81.08 81.11 81.32 81.00 94.51 80.39 127.4 49.18 88.55 88.55 88.34 88.29 88.42 88.15 97.68 86.55 150.4 50.53 1292.2 | 1286.0 | 1286.3 | 1270.4 | 1282.6 | 1274.2 | 1425.9 | 1094.3 | 1425.9 | 49.4 314.5 302.2 299.7 295.2 291.7 311.5 357.8 185.7 734.7 43.5 815.34 813.07 812.59 806.11 812.36 807.63 832.39 664.42 832.39 61.92

1636.7 1632.5 1633.0 1619.3 1636.5 1624.9 1717.6 1370.1 1717.6 986.9

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WATERFORD WEDGWOOD HOLDINGS plc (Registered in England under the Companies Act 1985. Registered No.: 2058427)

> Introduction by S.G. WARBURG & CO. LTD.

of 456,276,567 Non-Voting Income shares of 1p each

SHARE CAPITAL

Authorised £6,200,000

in Income shares of 1p each

Issued and to be issued

Waterford Wedgwood Holdings plc is a holding company, wholly-owned by Waterford Glass Group plc, established to effect the acquisition of Wedgwood plc. Application has been made to the Council of The Stock Exchange for the Non-Voting Income shares of 1p each of Waterford Wedgwood Holdings plc to be admitted to the Official List of The Stock Exchange and of the Irish Unit of The Stock Exchange. It is expected that dealings will commence on

Listing particulars relating to the Company are available in the Extel Statistical Services and copies of such particulars are also available during normal business hours from the Company Announcements Office of The Stock Exchange for collection only until 3rd December, 1986 and on any weakday (Saturdays and Bank holidays excepted) up to and including 15th December, 1986 from:

Cazenove & Co., 12 Tokenhouse Yard, London, EC2R 7AN

ard Wedgwood Holdings plc. Portland Works,

Longton, Stoke-on-Trent, Staffordshire.

Scrimgeour, Vickers & Co., 20 Copthall Avenue. London, ECZR 7JS S. G. Warburg & Co. Ltd., 33 King William Street, London,

EC4R 9AS 1st December, 1986 ALLIANCE LEICESTER

Alliance & Leicester **Building Society**

Issue of

£200,000,000 Floating Rate Notes 1993.

In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 27th November, 1986 to 27th February, 1987, the Notes will bear interest at the rate of 11% per cent per annum. Coupon No. 4 will therefore be payable on 27th February, 1987 at £2,914.38 per coupon from Notes of £100,000 nominal and £145.72 per coupon from Notes of £5,000 nominal.

S.G. Warburg & Co. Ltd.

Korea Exchange Bank

£100,000,000 Floating Rate Notes due 1994

Sterling Denominated Notes In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 28th November, 1986 to 27th February, 1987 has been fixed at 111% p.a. The Coupon Amount payable on 27th February, 1987 against presentation of coupon number 9 will be £145.69 for the £5,000 Notes and £7,284.67 for the £5,000 Notes.

U.S. Dollars Denominated Notes In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 28th November, 1986 to 28th May, 1987 has been fixed at 6½% p.2. of coupon Amount payable on 28th May, 1987 against presentation of coupon number 7 will be US\$158.69.

Manufacturers Hanover Limited Agent Bank

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AND THE REAL PROPERTY.

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EFFM Unit Trest Managers Ltd

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EFM American Fundad J72.7

EFM Environ 1905 197.9

EFM Environ 1906 197.9

EF 2 He always remembers the plane disintegrating (8) ACROSS 1 Quiet: that's somebody for Baker (6)

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Guild Management Limited
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Gold HK Cae 35.0 38
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128.94 123.94 142.8 177.6 92.04 97.24 208.14

Heritable Unit Trest Managers Ltd

3 Follow instructions as pro-nounced by article on Church 4 Oval is lacking something assumed to be there (8) suspension (8) 9 Prone to get embarrassed about German music (6) 5 Support given to one working with old Army group (6) 16 Type of paint container with dairy produce inside (8) 6 Part of it contains ideas for contents (6) 11 Piece of masonry represen-ting tree-god of ancient Rome 7 Hypothesis held by politician is explosive (6) 12 Badly floored by beginner? 8 Unresponsively evasive about misplaced legal qual-13 Was Victor running after ification (6) 12 Abandoned in favour of 14 You retreat on hearing grass, one hears (7) 15 The hour in the morning for 17 Decoration might hang on Equity & Law Us. Tr. M. (a) (c) food (3) 16 Live round: take note and fall back (3) 21 Run into group taking late breakfast (6) 18 English moderate in charge is retiring (8)

19 Illustration is in position (8)

20 Well-built, very friendly 26 Miner is wrong about hard 27 To quote me about that is place (8)
22 Prince providing verbal F & C Unit: Management
1 Listerice Possingly Hist EC4R OBA
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K & C M Stander 28 Heard and told stories about military weapon (8)

29 The way individuals find diamonds (6)

20 The way individuals find about rearranging ties (6)

39 Cheers up lads, it appears wrongly (8) conclusion? (3, 3) 31 Stress there's a grave one in 25 Go over a shortcoming (6) The solution to last Saturday's prize puzzle will be published with names of winners next

24 Does he intend to make that

+0.9 3.52 +11.4 1.76 ---- 1.82 ---- 3.57 +24 +0.7 +0.7 1.70 M & G Group (y)(c)(z)
3.60 Three Gasys, Tower Hill, ECS6
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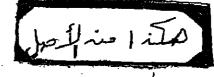
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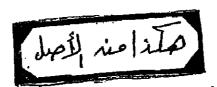
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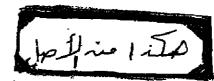
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J. BIBBY & SONS PLC

£70,000,000

Sterling Commercial Paper Programme

Dealers

County NatWest Capital Markets Limited

Samuel Montagu & Co. Limited

November 1986

Arranged by County NatWest Capital Markets Limited

Issue and Paying Agent National Westminster Bank PLC

EURO BROKERS HOLDINGS INC

We are pleased to announce that the management buyout of various sections of Euro Brokers Harlow Limited, New York, Toronto & Los Angeles, together with the dollar deposit and capital market operations of Harlow UEDA Savage Ltd, London from MAI plc was completed today.

The London Company will trade as Euro Brokers Limited, the New York and Los Angeles Companies as Euro Brokers Inc, and the Toronto Company as Euro Brokers Canada Limited.

If you would like any further information, please contact David Gladman in London, telephone 01-626 7890, or Brian Clark in New York, telephone 212-938 4800.

Euro Brokers Inc One World Trade Center Suite 3111 New York NY 10048

Euro Brokers Ltd Adelaide House 5th Floor London Bridge

SPONSORED SECURITIES

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			Thanse	Gross	Yield	
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4,669	Ass. Brit. Ind. Ord.	135	_	7.3	5.4	8.3
7,000	Ass. Brit. Ind. CULS	147	_	10.0	6.8	
950	Armitage and Rhodes		- 1	4.2	11.1	5.3
5,299	BBB Design (USM)	64	- 1	1.4	2.2	15.2 23.4
66.223	Bardon Hill	206	+ 2	4.6 4.3	2.2 4.7	10.9
5,074	Bray Technologies	92			2.1	9.6
476	CCL Ordinary	136 107	+ 6	2.9 15.7	14.7	9.0
1,338	CCL 11pc Conv. Pref			9.1	3.5	12.5
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3,178	Frederick Parker Group	90	_	3.8	4.2	2.3
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50,850	James Burrough	93		12.9	13.9	124
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3,222	Torday and Caritale	132 340	- 5	7.9	23	7.1
1,541	Trevian Holdings	90	+ 6	2.8	3.5	14.7
16,000	Unilock Holdings (SE)			5.0	4.9	9.7
26,186	Welter Alexander	101 186	-1	17.4	8.9	9.7 19.6
4,574	W. S. Yestes	93		5.6	6.0	13.3
3,943	W. Yorks Ind. Hosp. (USM)	99	_			

Granville & Co. Limited 8 Lovet Lane, London EC3R 8BP Telephone 01-621 1212 Member of FIMBRA

Granville Davies Coleman Limited 27 Lovat Lane, London EC3R SDT Telephone 01-621 1212 Member of the Stock Exchange

The Hongkong and Shanghai **Banking Corporation** announces that with effect from 1 December 1986 its UK Merchant Bank HongkongBank Ltd is changing its name to **James Capel Bankers Ltd**

7 Devonshire Square London EC2M 4HN Tel: 01-626 0566

(X) member: HongkongBank group Contracts and Tenders

SCOTLAND
A Financial Times Survey
The Financial Times propose
to publish a Survey on the

Tuesday December 16 1986 For further information, KENNETH SWAN Financial Times

37 George Street Edinburgh EH2 2HN Telephone: 031-226 4139 FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

BASE LENDING RATES

First National Securities Ltd. First National Management Ltd. announce that with effect from 1st December 1986 the Home Loan rate will be 121/4%

First National House, College Road, Harrow, Middx, HA1 1FB

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CONSTRUCTION

Crossing the Bosporus

The giant French construc-tion company BOUYGUES is studying the possibility of building a £321m (FFr 3hn) road and rail tunnel under the Bosporus, the straits which divide the European and Asian halves of Turkey's capital Meraphal

capital Istanbul.

The tunnel would be the first ever below the straits. Bouygues has agreed to complete a feasibility study of the project by December 15.
Details of the project will
then be discussed by the company and municipal officials,
said Mr Atanur Oguz, Istanbul's municipal secretary
senneal

sau air atanur oguz, istanbul's municipal secretary
general.

If it went ahead, the tunnel
would provide a third Bosporus crossing to supplement
the existing overloaded suspension bridge and the second
bridge which is still only
under construction but is predicted to become overloaded
in the early 1990s.

The municipality of Istanbul has already discussed the
possibility of a third Bosporus
crossing—another bridge in
this case—with the British
contractor Trafalgar House,
the runner-up in the bidding
to build the second bridge.

Trafalgar House has formed
a partnership with the Turkish contractor Enka to bid for
building a third Bosporus
bridge—at an estimated cost building a third Bosporns bridge—at an estimated cost of £268m—early in the 1990s.

Since their proposal was said to have been "favourably received" by the Turkish government and "accepted in principle" by the Istaabal municipality, the Bouyang facilities study earns as gues feasibility study came as some surprise.

The Istanbul municipality's announcement of its contract with Trafalgar has already caused the company consider-

able embarrassment as the scheme was only in its ear-liest stages and the company wanted to keep its idea secret from potential rivals.

Now the Bouygnes tunnel

which would include a sixlane road and two fast-tram
tracks—is the first competing
scheme for a third crossing

bear the construction costs and recover its expenses from

tolis on the route before hand ing it over to the Turks, said

ing it over to the Turns, said Mr Ogur.

Trafalgar and its Cleveland Bridge subsidiary were benten in the bidding for the second Bosporus bridge by a con-sortium of Japanese, Turkish and Italian companies.

to be made public. Bouygues would be asked to

and Italian companies.
The Japanese bid of \$551m
(£456m) for the single-span
bridge and approach roads
was far below the \$676m bid by the Trafalgar consortium.

If was also backed by a substantial—and controversial—aid package, which the UK government could not match.

£36m order for Gleeson

M. J. GLEESON GROUP has won contracts in the north and south totalling more than \$38m. Two road building projects for the Department of Transport, the A303 at Thruxton in Hampshire to Amesbury in Wiltshire, (9.6 kms) and the A27 at Fontwell, West Susser (3.4 kms) have a combined value of £12.5m. At Roadford, Devon, for the South West Water Authority, Gleeson has started work on the £2.1m road and viaduct contract prior to the work on the 22.1m road and viaduct contract prior to the award of the new Roadford Reservoir which will inundate the existing road. Also in the

south east the group has pro-cured works at the Imperial War Museum, Chessington Zoo and structures at Stevenage for Grey-coat Shopping, the total value being £2.8m.

M. J. Gleeson (Northern) has contracts for finishing works at Haysham power station for the

contracts for finishing works at Haysham power station for the Central Electricity Generating Board worth £3.5m and sewage treatment works at Cumnock, Strathcylde valued at £1.4m; three contracts for reservoir repairs at Horsforth in Yorkshire, Ladybower and Foremark in Derbyshire, worth a total of £1.5m and a new £1.5m reservoir

voir at Dunblane for Central Scotland Water Development Board. Refurbishment and new build housing for local authorities and housing associations throughout the north accounts for contragts worth a total of

throughout the north accounts for contracts worth a total of £5m and in Grimsby the company is constructing new Crown Courts for the PSA valued at £2.9m.

Two recently acquired companies—Powerminster in the north and Concrete Repairs in London—have been awarded projects totalling nearly £2m for mechanical engineering works and concrete repairs.

Balfour Beatty build for BA

working to tthe past five years. A steel-framed simulator building wil be constructed at Cranebank, Hounslow, under a £2.6m contract for completion by November 1987. At Speedbird House, Heathrow Airport, alterations are underway to computer rooms under a £527,000 contract due for completion in February 1987. At the Runway Restaurant, also at Heathrow, refurbishment, redecoration and repairs are underway to the catering facilities which include work on the heating and electrical installations. The £522,000 contract will be completed by the year end. At Terminal 1, alterations and refurbishment of a three-storey engineering service building to form a fleet maintenance facility will be carried out requiring work to the mechanical and electrical installations additionally. A contract valued at £1.65m has been placed by Manchester Canal and Business Park Development Corporation on land forming nart of the dischard area. November 1987. At Speedbird ment Corporation on land form-ing part of the dockyard area of the Manchester Ship Canal for construction of three single-storey industrial units and three

two-storey pavilion units. Work will be completed by mid-April 1987. The company has been awarded a \$6.392m contract by *G. PERCY TRENTHAM, Pangbourne, has won contracts worth over £17m including the refurbishment of an hotel in London; construction of high-tech units in Newbury; and a four-storey office block on Putney Hill. Less conventional jobs in a mixed "portfolio" of new work include the conversion of a church in Abingdon into offices, the creation of offices in a former manufacturing complex for Michelin, and the superstructure of the Towngate Theatre, Basildon.

The Department of Transport has awarded BALFOUR BEATTY CONSTRUCTION the A303 South Petherton-Broadway (Ilminster Bypass) contract, valued at £12.86m. This involves construction of 14 kms of 12 metre wide single carriageway in rigid construction, nine bridges, two roundabouts, flood alleviation measures and earthworks involving excavation of about 900,000 m metres. Work starts in January for completion by April 1988.

A. F. I. Atlantic Financial International N.V. Secured Adjustable Rate Notes due 1994

Secured Adjustable Rate Notes due 1994
In accordance with the provisions of the
Notes, another as hereby given that for the
Interest Period beginning on and including
November 28, 1986 and ending on and including February 26, 1987, the Notes will
carry an Interest Rate of 6.50% per annum.
For the Interest Payment Date on February
27, 1996, interest payable per 550,000 principal
amount of the Notes will be \$810.27.

A. R. I. A Atlantic Financial
International N.V.

I.G. INDEX

BALFOUR BEATTY BUILDING
has been awarded four further contracts by British Airways, for whom the company has been the company has been

Committed to Construction Wates win

Cromwell Road plan

WATES CONSTRUCTION (LONDON) has secured orders worth over £24m. All are in the private sector and include retail, commercial and residential work. The largest, valued at £11.3m, is the management contract for construction of a mixed commercial and residential project at the junction of Crosswell Road and Earls Court Road. This includes excavation of a road to construct an underground car park, reinstatement of the road and then construction of a bridge block over the road. The commercial element comprises 30,000 sq ft offices and a banking hall and the residential development includes 79 facts in two blocks with three penthouses and 10 town houses. The development is being undertaken by Wates Built Homes in conjunction with Parkridge Investment.

At the junction of St Martin's Lane and Charing Cross Road a contract valued at around \$4.5m is to build two office blocks for

Lane and Charing Cross Road a contract valued at around #4.5m is to build two office blocks for CEMP Properties (UK). One of the blocks is totally new while the other is to be rebuilt behind a retained facade.

In the City the contract for National Mutual Life Assurance Society covers demolition and erection of six-storey offices in a link block and returbishment of offices at Windsor House, 29 King Street, ECA.

At Brighton Marina on part of

At Brighton Marina on part of the recently in-filled inner marina Wates has a £6.9m conmarina. Water has a marine con-tract to construct a Gateway superstore. In addition to the usual sales hall, preparation, storage and administrative areas there will be a restaurant and surface car parking.

TANDATA has been awarded Phase I of the renovation contract at London's Grosvenor Hotel. Worth £325,000. Phase I comprises alternations to form 11 bedrooms, and ancillary works.

CRITTALL WINDOWS, a member of the Norcros Group, has wen its largest single order for £1.4m worth of Luminair aluminium windows. The contract involves manufacturing windows and supplying glass and glazing for South Glamorgan County Council's new county hall, under construction in the dockland area of Cardiff. The building, costing around £24m will have five storeys, and is due for comple-

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NOTICE OF REDEMPTION TO HOLDERS OF INDUSTRIAL BANK OF FINLAND LTD

Kuwaiti Dinars 6,000,000 7½ per cent. Guaranteed Notes due 1989

Sixth Mandatory Redemption Due 15th January, 1987 Of Kuwaiti Dinars 900,000 NOTICE IS HEREBY GIVEN that, prusuant to the provisions of the Notes of the above-mentioned issue, Knwait Investment Company (S.A.K.), as Fiscal Agent, has drawn by lot, for redemption on 15th January, 1987, at 100% of the principal amount thereof through operation of the Sinking Fund, Kuwaiti Dinars 900,000 principal amount of said 7½% Notes due 15th January, 1989, bearing the following 900,000 principal amount of said 7½% Notes due 15th January, 1989, bearing the following 900,000 principal amount of said 7½% Notes due 15th January, 1989, bearing the following distance of the Notes of the Notes

02292-02325 02468-02498 02576-02618 02911-02955 00528-00547 00631-00651 03927-03972 04013-04040 04491-04524 00792-00825 01047-01072 01220-01249 04701-04744 03218-03271 05771-05801 01443-01481 03360-03405 01841-01883 03576-03606

The Notes specified above will become due and payable in Kuwaiti Dinars at the offices of Kuwait Investment Company (S.A.K.), Mubarak Al-Kabir Street, Kuwait City, State of Kuwait, or, at the option of the bearer, but subject to applicable laws and regulations, at Cribank, N.A., 336 Strand, London WC2R 1HB and at Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg, by cheque drawn on a Kuwaiti Dinar account with, or by a transfer to a Kuwaiti Dinar account maintained by the payee with, a bank in Kuwait. From, and after, 15th January, 1987, interest on the above mentioned Notes will

Notes should be surrendered for payment together with all unmatured coupons appertaining thereto, failing which the face value of the missing unmatured coupons will be deducted from the principal amount.

The aggregate principal amount of Notes remaining outstanding after 15th January, 1987, will be Kuwaiti Dinars 1,800,000.

KUWAIT INVESTMENT COMPANY (S.A.K.) on behalf of INDUSTRIAL BANK OF FINLAND LTD.

Dated: 1st December, 1986

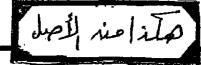
World Pulp & Paper Conference

11 & 12 December 1986, London:

A FINANCIAL TIMES CONFERENCE

For information please return this advertisement, together with your business card, to: Financial Times Conference Organisation Minster House, Arthur Street, London EC4R 9AX. telephone 01-621 1355 telex 27347 FTCONF G fax 01-623 8814

WORLD STOCK MARKETS



	e s	High Low Nov. 28 Price Sch	FRANCE 1988 November 38 Price High 1 Low Frs.	AUSTRALIA 1986 Price	JAPAN	CANADA		
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Marie M. Comments of the Comme	T AND THE THE PROPERTY OF SET VINA C. OT MICHAEL	### Boda. 92,81 92.69 92,71 ### Boda. 92,81 92.69 92,71 ### Boda. 92,81 92.69 92,71 #### Boda. 92,81 92.69 92,71 ####################################	92.48 92.61 92.81 85.75	AUSTRALIA All Ord. (17/80) Metals & Math. (1/180) F71.2 \$56.7 AUSTRIA Gradithk Aktien(80/12/84 254.22 255.51 BELGIUM BRUSSels SE (1/184) 4022.81 4921.92 DENMARK Copenhagen SE (51/85) - 192.82 FINLAND Unitas Genl. (1875) 413.5 416.7 FRANCE CAC General (51/12/62) 284.9 284.4 Ind Tendance (51/12/62) 188.9 188.5 GERMANY FAZ Aktien (51/12/68) 888.95 2871.2 2872.5 HONG KONG Hang Song Bank(51/7/60) 2418.75 2554.56 ITALY Banca Comm. ital.(1979 722.88 (u) JAPAN** Nikkel (16/5/45) 1808.9 1476.20 NETHERLANDS ANP.CPS General (1979) 244.9 284.2 ANP.CPS General (1979) 255.5 234.4 NORWAY Osio SE (4/1/85) 577.36 277.92 SOUTH AFRICA JSE Gold (28/9/76) 358.89 576.20 SPAIN Madrid SE (56/12/55) 191.52 181.52 SWEDEN Jacobson & P (51/12/55) 2561.67 2521.70 SWITZERLAND SWISBANKOPN (51/12/55) 588.50 588.5 WORLD M S. Capital Intl.(1/1/76); - 347.7	255.7 255.85 266.64 (25/4) 228.58 (5/5) 4000.01 5982.89 4891.98 (15/11) 2788.91 (15/1) 189.98 190.55 250.76 (18/4) 188.28 (11/11) 408.7 408.7 417.7 (8/10) 258.8 (2/1) 258.3 2 282.9 412.5 (16) 257.8 (2/1) 185.6 154.5 159.0 (29/8) 101.6 (2/1) 261.55 652.69 755.88 (17/4) 585.92 (22/7) 267.7 2651.12 2418.75 (26/11) 1558.84 (19/5) 2776.29 718.55 398.26 (20/6) 454.67 (24/1) 1457.89 1457.83 586.85 (20/6) 1288 1.6 (21/1) 1457.89 1457.83 586.85 (20/6) 1288 1.6 (21/1) 1253.7 285.0 583.3 (13/6) 254.0 (3/5) 283.7 285.0 583.3 (13/6) 254.0 (3/5) 283.7 285.0 586.85 (20/6) 1588.26 (23/4) 1825.0 1798.9 2081.8 (13/4) 585.54 (23/4) 1825.0 1798.9 2081.8 (12/11) 1518.5 (21/1) 1834.5 1858.8 1413.8 (12/11) 1518.5 (21/1) 1834.5 1858.8 209.79 (8/10) 100.55 (6/1) 2514.19 2560.24/2672.76 (7/11) 1729.57 (29/1) 2648.5 545.6 250.8 (1/6) 248.8 (25/1)	Special Subscription HAND DELIVERY SERVICE of the FINANCIAL TIMES EUROPES BUSINESS NEWSPAPER in SWITZERLAND You can obtain your subscription copy of the Financial Times, personally hand-delivered to your office in the centre of the cities indicated, for further details contact: Peter Lancaster Financial Times (Switzerland) Ltd 15 Rue du Cendrier 1201 Geneva 1 Switzerland Tel: 311603/4 Telec: 22589	Special Substance of the FINANCIAI EUROPES BUSINESS in SPAIN & POF You can obtain your sult of the Financial Times, personally hand-deliver in the centre of the cities for further details contain John Rolley Financial Times (Europe) Ltd Guiollettstrasse 54 6000 France West Germany Tel: 75980 Tel:	TIMES ENEWSPAPER RTUGAL Discription copy red to your office es indicated, eact: Inkfurt/Main 1 Felex: 416193 Barestons Barestons
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Times are now available to guests staying at the following hotels in Istanbul:

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Dollar falls on political and economic news

THE DOLLAR is hovering in a posi-tion of renewed weakness, and although the market was reluctant to take the US currency to new lows last week, it did finish on Friday at the lowest level since January 1981 the lowest level since January 1981, against the D-mark, and has been forecast to fall to \$1.95 this week. The dollar closed at DM 1.9730 on Friday, compared with the previous 5½-year low of DM 1.9740 set in mid-October. The lowest trading level at that time was DM 1.9685. On Friday the US currency fell to a trading low the US currency fell to a trading low if DM 19700, but the market lacked the incentive to continue the down

£ IN NEW YORK

Nor 28	Close	Previous Close			
£ Spot 1 month 3 months 12 months	1,4340-1.4350 0,58-0,57 pm 1,81-1,79 pm 7,80-7,70 pm	1.4290-1.4300 0.56-0.53 pm 1.79-1.74 pm 6.35-6.25 pm			
Forward premiums and discounts apply to $U_{\underline{\mbox{S}}}$, dollar,					

STER	STERLING INDEX									
		Nov. 28	Previous							
8.30	am	68.1	68,0							
9.00	24TT	68.1	67.9							
10.00	an	68.1	68.D							
11.00	2M	68-I.	68.0							
Noon		68.1	68.0							
2.00	pm	68.0	0.86							
2.00	pm	68.1	68.0							
3.00	pm	68.1	68.2							
4.00	рт	68.1	68.1							

CURRENCY MOVEMENTS								
November 28	Bank of England Index	Morgan Guaranty Changes %						
Sterling U.S. Dollar Canadian Dollar Austrian Schilling Belgian Franc Dansb Krone Dansb Krone Swiss Franc Guilder Freach Franc Lira Lira Yen	68.1 110.9 77.1 134.8 98.0 90.9 148.2 131.6 71.3 48.5 204.6	-25.8 +2.6 -12.7 +9.5 -5.3 +3.0 +20.3 +21.2 +13.5 -12.2 -15.3 +52.3						

CURRENCY RATES

Nor. 28	rate %	Drawing Rights	Currency Unit
Sterling	_	N/A	0.732623
U.S. Dollar	5.5	WA	1.05205
Canadian S	8.49	•	1.45656
Austrian Sch	4	IVA	14.6350
Belgian Franc	8	N/A	43.2523
Danish Krone	7 1	N/A	7.85458
Desesche Mark	312	N/A	2.07990
Neth Guilder	412	N/A	2.35080
French Franc	912	N/A	6.81306
Hallan Lira	12	N/A	1442.09
Japanese Yen	3.0	N/A	170,379
Norway Krone	[B	[N/A	7.90771
Sounish Peseta	-	N/A	140.711
Swedish Krona	712) N/A	7.23861
Swiss France	4 `	N/A	1.73062
Greek Drach	20%	WA	145,246
Irish Pana		N/A	0.764291

CS/SDR rate for Nov. 27; N/A

OTHER CURRENCIES

Nov. 28	£	\$
Argeotina	1.6900-1.6965	11770-11910
Australia	2.2060-2.2090	1.5370-1.5380
Brazil	20,2545-20,3695	14,1070-14.1770
Finland	7.0000-7.0195	4,8800-4,8820
Greece	196.27-199.72	136,74-139.05
Hong Kong	11.1700-11.1805	7.7825-7.7845
[120	108.75*	76.90°
Kungit	0.4205-0.42 1 5	0.29380-0.29400
Lancembourg	58.85-58.95	41.05-41.15
Malaysia	3.7315-3.7370	2.6000-2.6020
N. Zealand	2.8090-2.8190	1.9570-1.9630
Saudi Ar	5.3815-5.3895	3.7500-3.7505
Singapore	3.1480-3.1530	2.1935-2.1955
5. Af. (Cm) _	3.1845-3.2080	2.2100-2.2200
S. Af. (Fil)	6.5250-6.8360	4.5455-4.7620
U.A.E.	5.2685-5.2775	3.6725-3.6735
* Seliang rate	,	

FORWARD RATES AGAINST STERLING

	Spot	1 eth	antibs	6 miles	12 mths
US Dollar D-mark French Fr. Senss Fr. Yen	2.8425 9.2650 2.3550	2.8277 9.23% 2.3405	2.7984 9.2034	2.7550 9.1451 2.2730	2.6775 9.0404 2.1980

MONEY MARKETS

THE STRUCTURE of interest rates

on the London money market con-tinued to underpin the present 11 per cent level of UK bank base rates, but the underlying tone remained nervous, in spite of another very

quiet week. There was little change in market rates throughout Novem-

ber, but this was more a reflection the reasonably steady performance by the pound on the foreign

exchanges, than any confidence in the future.

FT LONDON INTERBANK FIXING

CLL00 a.m. Nov.28) 3 months U.S. dollars

BANK OF ENGLAND TREASURY BILL TENDER

Nov. 28 Nov. 21

members of the present Administration becoming casualties of the Iran arms sale scandal, and the diversion was restricted by a holiday in the US, and the closure of Tokyo for a public holiday on Monday, the gene-ral impression was that the dollar

EM:

of funds to the Nicaraguan rebels
There is no guarantee that the Presi
dent's problems over Iran will 6001
end, and the ghost of Watergate still
stalks the corridors of power
inWashington.
Apart from the political situa
tion, dealers also saw little com
fort in the US economic picture
The October trade deficit o

It was probably the worst month that President Ronald Reagan can remember. His Republican Party lost control of the Senate, and the Democrats are now in control of both Houses within the US Congress. This could have hardly happened at a worse time, with two

EMS		CE	iou ntral	Currer amous against Novembe	eco	% change from central rate	% adj	change usted for ergence		rgence
Beiglan Fi Danka Kri German D French Fr Dutch Gui Irish Punt Italian Lir	one -Mark anc ider	7.1 2 6.1 6.1 2.1	.1139 31701 11083 37316 37833 54976 76.95	43.25 7.854 2.079 6.813 2.350 0.7642 1442	58 190 106 180	+0.32 +0.48 -1.47 -0.87 -1.16 -0.09 -2.36		+1.09 +1.25 -0.70 -0.10 -0.39 +0.68 -1.94	±1 ±1 ±1	.5368 .6403 .1127 .3659 .5059 .6683
	re for Ec Times.	u, theref	ore positi	ive chang		S a weak				
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lov. 28		Short tërm	7 Day		One Month	Tts:		Six Months		One Year
iterling		11-114	11-1		14-112		11%	n-m		-11
l.S. Doiler .		-	6-6		64-61		64	513-61		6-6%
an. Dollar .		8-84,	8-8		84-84	82.		84-8		2.84
). Guilder		54-57	j 5¦2-5		512-513	514	5Q (53, 57		2-5 2
w. Franc		7 -1 1-	14-1		37-4	37		37.4		2 4
eutschmark		411-412	4,5-4		442-447	4%		48.48	4	44
r. Franc		74-74	72.7	à	7,2-7(2	8.4	82.	81,-81,	8	1-82z
alian Lire .		11-113	1012-1		11-114	10%		101-11	10	<u>12-11</u>
Fr. (Fig.)		_	7-7	۱ ا	74-74	73-	712	712-711	7	7/1
. Fr. (Con.)		_	ì -	- 1	74-7%	7	74	73,-74	1 7	\$-7%
er		3%-4	45.4	<u>ن</u> د ا	45-41	442	45	41, 45	4	<u> 45.</u>
Kroce]	94-9½	94.9		912-10		201 ₂	101, 101		1-10 ¹
	a.) .	6-61-	6-6	• 1	6-6-6	1 4	642	513-64		6-64

per cent; five years 75-77, per cent nominal. Short-term rates are call for US Dollars and Japan

POUND SPOT—FORWARD AGAINST THE POUND												
PUUMD												
Nov. 28	Day's spread	Close	One mosth	% pa.	Three months	% pa						
US	14295-14380	1.4330-1.4340		4.77	1.80-1.75 pm	4.95						
Casada	1.9860-1.9905	1.9860-1.9885	0.44-0.36c pm	241	142-1.27 mm	270						
fietherfands .	3.191 ₂ -3.211 ₂	3.1943.20%	15-15c pm	5.39	43 <u>44</u> pm	5.32						
Belgium	58.85-59.15	58.85-58.95	20-15c pm	3.56	56-47 pm	3.53						
Denmark	10.674-10.73%	10.67%-10.68%	l¹a_s ore pos	1.12	2-14 500	0.61						
Ireland	1.0420-1.0460	1.0430-1.0440		-3.96	0.70-1.15 dis	-3.54						
W. Germany .	2.824-2.844	2.821-2.831	1°2-13-01 per	6.36	45-43 ₂ pas	6.36						
Portugal	210.75-213.35	210.80-212.00			221-341 ds	-531						
Sozia	191.75-193.00	191.80-192.00	14-32: ds		25-115 dis	-1.45						
liziy	1960-1972	196012-196112			3 pen 1 dis	0.20						
Norway	10.75%-10.80%	10.75%-10.76%			93-101 dis	-3.76						
France	9.26-9.31	9.26-9.27			6%-6% pm	283						
Swetten	9.86-9.8812	9.86-9.87			41-44 pm	1.80						
Japan	2314-233	2311-2321			37 ₆ -35 ₆ pm	635						
Austria	19.90-20.15		104-94-pro pro		2814-2614 pag	5.52						
Switzerland		2 35-2 36	15-13-c pm	7.64	43-4 08	7.11						

Beigian rate is for convertible Irancs. Financial franc 59,25-59,35. Six-norms forward dollar 3.58-3.53 c pm, 12-month 6.70-6.60 c pm

DOLLAR	SPUI-F	DRWARD A	AGAINST TI	HE D	JLLAR		Dec.	Close 93,97	High 93,99
Nov. 28	Day's spread	Close	One mouth	% pr	Three months	% p.a.	Marck June	94.08 94.02 93.82	94.09 94.02 93.81
UK†	41.05-41.20	1.4330-1.4340 1.3785-1.3795 1.3830-1.3840 2.2300-2.2310 41.05-41.15	1.15-0.85c pm 0.28-0.31c dis 0.11-0.09c pm 3-5c dis	8.73 -2.56 0.54 -1.17	1.80-1.75 pm 3.15-2.65 pm 0.80-0.85 dis 0.24-0.21pm 13-17 dis	8.44 -2.38 0.40 -1.46	Sept. Dec. March June Sept. Estimated	93.52 93.15 92.79 92.43 volumet 2	93.52 93.15 — — 353 (1,649 im. 24.913
Portugal Spain	1.9700-1.9810	7.44%-7.45% 1.9725-1.9735 147%-147% 133.50-133.60 1367%-1368%	0.26-0.24pf pm 115-140c dis 67-77c dis	1,52 -10,37 -6,46	200-230 dis	1.31	U.S. TRE	SURY BO	ORDS 8%
Norway		7.504-7.514 6.454-6.464	5.40-5.70 are dis 0.70-0.80c dis 1.80-2.10 are dis 0.25-0.23 y pra	-8.87 -1.39 -3.40 1.78 0.60	16.35-16.65db 3.30-3.60 dis 5.50-6.00 dis	-8.79 -2.13 -3.34 1.57 0.43		99-14 98-17 97-20 Volume 2	99-22 98-31 313 (405) Int. 3,158 (
Switzerland	1.6395-1.6520	1.6415-1.6425	0.39-0.34 c pm	2.66	0.91-0.85 pm	2.14	CHRR	NCY	FITTIRE

† UK and Ireland are quoted in US corrency. Forward premisors and discounts apply to the US dollar and not to the Individual currency. Belgian rate is for convertible francs. Financial franc 41,60-41.70. 11 CORRECTION; Closing rate for Lira on November 27 was 13784-13794.

Tone remains nervous in London

to be the most important economic announcement from the US last week, but it had little impact, because of the lower October figure coupled with the upward register for Section has

The trade deficit was expected

DM 200, and this week's economic news is not expected to produce nic announcement from the US ast week but it had little impact, because of the lower October igure coupled with the upward evision for September.

A sharp fall in US durable goods

any sharp recovery. According to Money Market Services October consumer spending, to be announced today, will fall 0.4 per cent. Tomorrow's October leading indicators are forecast to rise 0.3

although the figures appeared to be moving in the right direction, the revision of September's October, against forecasts of deficit caused some concern. This was revised up to \$14.74bn from \$12.56bn, leading to doubts that the steady decline of the dollar over the past year had finally reversed the the worrying US trade position.

The trade deficit was expected orders had more impact. These ber cent in October, against forecasts of around 1.5 per cent. Even taking on the deficit services of the figures fell around 1.5 per cent. Even taking on the deficit services of the services of the only bright news of the week may be US unemployment. The durable goods aunounce the figures fell services of the only bright news of the week may be US unemployment. The durable goods aunounce the figures fell services of the only bright news of the on

7 per cent in October.
As last week ended a further weakening of the dollar seemed inevitable, with dealers watching the relatively stable rate against the yen to decide whether the strains were becoming too great to keep the recent agreement between the US and Japan from falling apart

Strike Price 1.35 1.40 1.45 1.50 1.55 1.60 1.65 Last Feb. 0.07 0.46 1.72 4.36 8.27 Feb. 0.50 1.70 4.35 0ec. 8.70 3.70 0.50 0.15 0.25 0.25 March 8.75 4.30 1.80 0.65 0.45 0.25 1.50 390 115 Feb. 8.70 4.15 1.50 Calls—Lasz Jan. Feb. 13.00 13.00 8.00 8.00 3.35 3.60 0.80 1.15 0.10 0.30 -Last Feb. 0.05 0.25 1.45 4.00 7.90 3±5e 1.09 0.88 0.68 0.51 0.36 June 0.07 0.11 0.16 0.24 0.34 Sept. Dec. 0.00 0.00 0.00 0.01 0.09 March 13.00 7.95 3.85 1.55 0.50

1.55 1.60	<u> </u>	=	_ 0.0	5 16.40	=	- 13. - 18.	ŌÕ	94.50	0.00 0.0	8 0.35	_ 0	1.28 0.3 1.53 0.5		
Previous d Previous d	ay's open ay's volun	inc: Calls re, Calls :	59,620 F 340 Puts	outs 87,651 57	L					t: Calls 1,88 is 100 Pats (UK .		
LIFFE LA	NE SILT	FUTURE	S OPTION	is	LIFFE US	TREASUR	Y BOND				T-SE 100			
Strike	Calls	_Last	Puts	-Last	Strike		المجاسة		يوبات	Strike		-Last	Puls	-42
Price	Mar.	June	Mar.	June	Price		June		June	Price	Dec.	Jan.	Dec. 0.23	-
100	· 8.32	8.60	0.14	0.42	88			0.04	.=	15500	8,53	9.33	0.25 0.55	
102	6.47	7.22	0.29	1.04	90					25750 16000	6.35 4.44	7.33	114	- 1
104	5.08	5.57	0.54	139 222	97	2 0.30 4 5.15				16250		5.66	2.08	- 5
106	3.47 2.38	4.40 3.34	1.29 2.20	316	9	331			230	16500	2.88 1.72	4.20	3.42	3
108 110	1.45	240	3.27	4.22	Ŷ.					16750	D.94	3.00	5.14	. 4
112	1.04	1.58	4.50	5.40	10			3.10		17000	0.47	2.07	7.17	6
114	0.40		6.22		100			4.32	561	17250	0.21	1.37	9.41	7
Estimated	workers to	otal. Calls		106	Estimat	ed volume	total, Cal	is — Pues	_	Esthuate	i vokane t	otal, Calls	O, Pets 3	15
Previous I	day's open	in, Calls	11,085	Puts 3,587	Previou	s day's ope	es Inti, Cal	lis 372 Pa	es 340	Previous	day's open	irst, Calle	552, Put	3 40
LOND	DN				1MBS	TERLING	Ss per £			U.S. TRE	ASURY B	ILLS (IN	M)	_
	700 407	tanal a				Close	High	Low	Prev	ATTO BOX				
20-YEAR			IL1		Dec.	1.4315	1.4370		1.4275	_	Close	High	Low	₽
£50,800 3	2005 07 .	106%			Mar.	1.4135	1,4195		1.4095	Dec.	94.71	94.72	94.68	9
_	Close	High	Low	Prev.	June.	1.3955	1.4010	1.3940	L3920	March	94.84	94.87	94.83	9
Dec.	108-04	108-25	108-01	108-08	Sept	1.3830	1_3940		1.3790	Jene Sept.	94.53	94,84 94,69	94.81 94.67	2
March	108-09	108-30	108-05	108-16	UFFE-	STERLING	£25.000	S ner £		Dec.	94.66 94.42	94.67	74.67	. 9
Jone	108-09	-		108-16						Digital .	74.42	74.07	_	•
Estimated					•	Close 1.4340	High	Low	Prev					
Previous d	sikk oben	DL 18,70	14 (18,21	4)	Dec. Mar.	1.4340	1.4343 1.4165	1.4325 1.4165	1.4260 1.4090					
TOW HOT	CHAL CI	IRAT AU	-		June	1.3990	74700	1.4103	1.3905		SE YEN (٠.
18%, NOTI £100,000						d volume i	229 (5)	_		Y1250 :	per Y10	,		
الشائدسية		140.7				day's oper		7 (1.582)	~		Clase	High	Low	P
	Close	High	LOW	Pres.	CHIC			• •—		. Dec.	0.6182	0.6 <u>18</u> 8	0.6163	0.4
Dec	95-62	96-04	96-04	96-00	Uniw	460				March	0.6206	0.6210	0.6194	0.6
March	96-17		_	96-19	===					- June	0.6231	0.6235	0.6220	0.6
Estimated						EASURY B		BT) 875	• .	SepL	0.6260	_	_	0.6
P revi ous d	ay's open	EAT 010 (1777		27700700		100%			BEILLEG	E MARK	/IMM		
						Close	High	Low	Prev.		C S eer D			
THREE-M				•	Dec.	99-23	99-27	99-17	99-20					
£500,000	básarz er	THEY			March	98-24	98-28	98-19	98-22		Close	High	Low 0.5058	Pr
	Clase	High	Low	Prev.	June	27-25	97-28	97-20	97-23	Dec.	0.5072	0.5075	0.5076	0.5 0.5
Dec.	24.68	88.69	88.65	88.70	Sept.	%-25	%-28 %-38	%-23	96-24	March	0.5089 0.5105	0.5092 0.5109	0.5094	0.5
March	88.75	88.80	88.75	88.79	Dec. March	95-28 95-01	95-29 95-07	95-25 94-30	95-26 94-31	June Sept.	0.5120	47167	93077	0.5
June	89.09	89.13	89.06	89.11	Jude	94-08	73-47	7420	94-06	эерг.				
Sept.	89.12	89.16	89.10	89.14	Sept.	7700	=		7-00	THREE-M	ONTH EN	2500111	R (IMM)	
Dec.	88.98	_	_	89.00	Dec.	92-28		_	92-26	Sim pole	s of 1907		• -	
March Francisco	88.78			88.78	March	92-09	_	_	92-07		Close		Low	<u></u>
Estimated						بنائن			<u> </u>	Dec.	93.97	High 93,99	93.97	Pr.
Previous d	ay s open	MT 13,/3	K (12,70)	u		RANK (II				· Mar.	94.07	94.09	94.06	
FT-SE 100	MOREY				ببصنعد	00 \$ per \$	27			Jone	94.01	94.02	94.00	94
E25 per fo						Close	High	Low	Pres.	Sept.	93.82	93.83	93.80	á
	_				Dec.	0.6099	0.6110	0.6064	0.6043	Dec.	93.52	93.52	93.49	93
_	Close	High	(LOW	Prev.	Mar.	06131	0.6138	0.6108	0.6067	Mar.	93.16	93.17	93.12	93
Dec.	263.30	164.30	_	163.60	June	04160	0.6180	0.6152	0.6094	Jane	92,78	92.78	92,74	92
March	166.00	166.40	-	166.40	Sept.	0.6200	0.6510	0.6210	EEJA.O	Sept.	92,40	92.42	92.37	92
Estimated 1	NOW THE 85		(2 226)							· ·				

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FINANCIAL TIMES

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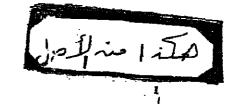
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11 11,1 111,1 10,6692 10,1 10,1 10,1 10,1 10,1 10,1 10,1 55 4,525 4,675 4.40625 4.34375 1114 71. 7 ú 4.4 4.4 London—band 1 bits mature in up to 14 days, band 2 bits 15 to 33 days, band 3 bits 34 to 63 days and band 4 bits 64 to 91 days. Rares quoted represent Bank of England bypog or selling rates with the money market. In other tenters rates are generally deposit rates in the domestic money market and their respective changes during the week.

The Oxing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for \$1.0m quoted by the market to five reference banks at \$1.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

WEEKLY CHANGE IN WORLD INTEREST RATES Nov. 28 Nov. 28 User'd
+12
+14
+10
100136
Unch'd
Unch'd
Unch'd
Unch'd
Unch'd
Unch'd
Unch'd
Unch'd

MONEY RATES 6 months U.S. dollars **NEW YORK** bid 5 12 Offer 6 iz

Nov. 28 Nov. 21

UK clearing bank base lending rate 11 per cent since October 15 UK clearing bank base lending rate 11 per cent since October 15

Dealers therefore turned their trade figures. Forecasts varied quite widely, but most economists did not expect much change in the September visible deficit of £885m. The finish the month at DM 2.875, equal to its record closing low.

Some rather inconclusive economic statistics began with the October UK money supply figures earlier this month. The figures were distorted by the TSB share issue and by the fact that they were the first than mid-month make-up.

Dealers therefore turned their trade figures. Forecasts varied quite widely, but most economists did not expect much change in the September visible deficit of £885m. The published figure of £835m was not a surprise, but the upward revision in 1987 and to £7.2bn in 1988. It was also predicted that growth would be slow, inflation would rise and there would also be higher public spending. Interest rates wobbled nervously but finished the week little changed, with three-month interbank at 11½ per cent, compared with 11½ per cent. by the pound on the foreign exchanges, than any confidence in the future.

Some rather inconclusive economic statistics began with the October UK money supply figures earlier this month. The figures were distorted by the TSB share issue and by against the dollar to \$1.4335, but

based on end of the month rather than mid-month make-up.

Dealers therefore turned their National Institute for Economic and

High 93.99 94.09 94.02 93.81 93.52 93.15

92.79 — 92.76 92.43 — 92.40 naied volume 2.353 (1,649) loss day's open int. 24,913 (24,756)

Clase High Low 2. 99-14 99-22 99-12 rch 98-17 98-31 98-16 re 97-20 Imated Volume 2,313 (405) reloss day's open int. 3,158 (3,019)

CURRENCY FUTURES

POURD-S (FOREIGN EXCHANGE)

Spot 1-rath, 3-rath, 6-rath, 12-rath, 1.4335 1.4278 1.4158 1.3980 1.3670

1.0w 93.96 94.08 94.00 93.80 93.50 93.14

Prev. 93.98 94.08 94.01 93.81 93.50 93.13

Treasury Bills and Bonds

NA Three year

NA Four year

NA Seven year

NA Seven year

NA Joyar

NA 30 year

BANK OF ENGLAND TREASURY BILL TENDER Nov. 28 Nov. 21 2100m £100m £100m Top accepted rate of discount adons £469m £320.3 Average rate of discount £100m £100m Average yield £97.34 £97.34 Amount on offer at next tender alminism fewel £72%

LONDON MONEY RATES

Nov. 28	Over- night	7 days sotice	Month	Three Morths	Six Months	One Year
refront Co. refling COS. cal Authority Deposits cal Authority Deposits cal Authority Bords cal Authority Bords canount Marker Deposits reparty Deposits sence Hoase Deposits sence Hoase Deposits sence Hoase Deposits reade Biths (Boy) re Trade Biths (Boy) R Lariked Beposits Q Linded Deposits Linded Deposits U Linded Deposits	12-107a 11-107a 11-107a 11-107a	11. 12. 12. 12. 13. 14. 14. 14. 14. 14. 14. 14. 14. 14. 14	11-11 112-102 112-11 115-11 101-11-1 101-1 101-1 101-1 101-505 5-5-5-7-2	7774 7774 7774 7777 7777 7777 7777 777	113-113- 114-114- 114-114- 114- 114- 114	115-115 116-115 116-115 115 115 115 115 115 115 115 115 115

Treasury Bulls (sell); one-month 10(3) per cent; there-months 10(3) ber cent; Bank Bulls (sell); one-month 10(4) per cent; Treasury Bulls; Average tender rate of discount 10.56(2) p.c. ECGD Fixed Finance Scheme IV reference date October 8 to 31 (unclusive); 11.237 per cent. Local Authority and Finance Houses seven dary local; others seven dary instead Finance Houses seven dary local; others seven dary notice 4.55(4.575 per cent. Certificates of Tax Depost (Serves 6): Depost E100,000 and over held under one month 10% per cent; me-there months 11 per cent, there are months 11% per cent; as -mon months 11% per cent; menths as -months 10% per cent; menths 11% per cent. Under £100,000 10% seven from November 14. Deposits beid under Saries 5.10% per cent. Deposits subdaram for cash 53.50.

The state of the s

SECTION III

FINANCIAL TIMES SURVEY

of the Financial Times and is not for sale separately

World Telecommunications

The impact of new technology, coupled with regulatory changes in many countries plus mounting competitive pressures between equipment suppliers is radically altering the shape of the world telecommunication industry.

A whirlwind of change

presented a somewhat neat and tidy image of a busi-ness which fitted smoothly into the parameters of a natural

in many countries about the quality of service and the delays quality of service and the delays in bringing new lines into operation. But the task of wiring the world for the telephone seemed one that was ideally adapted to centralised control and uniform management. Teday, this certainty over the shape of the industry is being swent away as talecommunication. swept away as telecommunica-tions throughout the industrial-

ised West heads into a period of painful re-adjustment.

Technology has radically altered the economics of the industry, both for the providers of service and the manufacturers. Users, meanwhile, are equally making new and more testing demands on the telephone providers as their need for more sophisticated com-munication grows.

Furthermore, Governments have become less certain about the virtues of public service monopolies, and much more supportive of ideas of competitive efficiency. tive efficiency.
These different pressures

ADVERTISING

have entirely changed the debate about the future of the industry. Ten years ago, the big question in many countries was how long it took to persuade the local telephone company to install a new line: indeed, it was only in the mid-1970s that the then-President Giscard d'Estaing of France put his rep-

network. Yet, while installation delays Yet, while installation delays may still be a concern, the issues facing the industry today are very different. They fall broadly into two main areas: what degree of competition should be injected into the system, on one hand? And how should equipment manufacturing he extension on the other? ing be organised, on the other? The first question — the issue of how to introduce competition to the system — is proving just as difficult to resolve, as the critics of change said it would. The problem is relatively straightforward. On the one

By Terry Dodsworth

hand, it may be that competition would, as the reformers claim, generate more responsiveness and innovation in the industry. But on the other, the basic provision of lines is easiest to provision of lines is easiest to arrange in most cases through a single system; and once that supply is established, it is more simple to channel other ser-vices through it in a monopoly organisation, under some kind or regulation.

Indeed, unlike some other industries that are being subjected to radical change as new technologies and new world markets are opened up, tele-communications is irretrievably inter-twined with questions of public policy.
In the early days of the tele-

phone business, governments came to see it as a strategic resource. More recently, many

the telecommunications industry across the world the telecommunications industry across the world the telecommunications industry across the world the telecommunications across the world the telecommunications are the time to force countries overtay or tactity entering the through a crash programme to countries overtay or tactity entering the time to force countries overtay or tactity entering the time to force countries overtay or tactity entering the time to force countries overtay or tactity entering the time to force countries overtay or tactity entering the time to force countries overtay or tactity entering the time to force countries overtay or tactity entering the time to force countries overtay or tactity entering the time to force countries overtay or tactity entering the time to force countries overtay or tactity entering the time to force the time to force countries overtay or tactity entering the time to force the time to reach of anyone who wanted

Most pricing systems were skewed, through some sort of monitoring or regulatory system, to allow long-distance calling, supported mainly by business users, to subsidise private residential lines.

Even in the US, where market forces generally hold more sway, the social objective of providing a telephone for the lone-iy farmer living in remote areas was built into a powerful argu-ment for subsidising local ser-

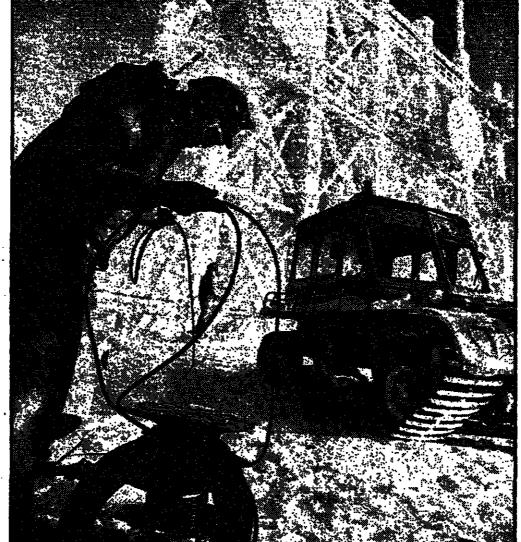
vices by long-distance callers.

The way in which governments achieved these social and organisational aims differed from country to country so that at present, as some of the regulatory structure begins to be dismantled, the changes are also extremely variable.

In the US, for example, the break-up of AT&T has imposed an arbitrary division between

break-up of AT&T has imposed an arbitrary division between the local and long-distance telephone operations, but it has left a large slice of equipment manufacturing, which in most countries is organised in separate companies, in the hands of the AT&T long-distance group. Meanwhile, the local groups are barred from both the equipment

barred from both the equipment and long distance areas. In the UK, however, competi-tion is being introduced through licensing an alternative operat-



 Ice coats the aerials at Britain's biggest radio station, on top of a Scottish mountain at Greenlowther, in Dumfries and Galloway. British Telecom engineers, who maintain the station at 2,400 ft above sea level, use a Snow-trac vehicle in bad winter weather.

barred from both the equipment and long-distance areas.
In the UK, however, competition is being introduced through licensing an alternative operating company while controlling prices so that the new company has a fair chance of establishing itself Japan appears to be heading in the same direction. Some European countries, meanwhile give the impression that there moves towards wider competitive system.

European countries, meanwhile give the impression that there competitive system.

European countries, meanwhile controlling and licensing an alternative operation puts down to still remains to be proven whether customers receive betaining in the same direction. Some the impression that there competitive system.

European countries, meanwhile controlling as a licensing an enthusiastic puts to rising compation and equipment now available that also led to rising confusion where the regulators are making an enthusiastic puts to rising confusion among the public, and indications of a decline in some services from a tightly-organized ficult to prove the case either the competitive system.

European countries, in the UK, however, competitive system.

European alternative operation puts down to stream the US, where deregulation has gone furthest, and where the regulators are making an enthusiastic puts to rising confusion among the public, and indication has gone furthest, and where the regulators are making an enthusiastic puts to rising confusion among the public, and indication has gone furthest, and where the regulators are making an enthusiastic puts to rising confusion among the public, and indication has gone furthest, and where the regulators are making an enthusiastic puts to rising confusion among the public, and indication has gone furthest, and where the regulators are making an enthusiastic puts to rising confusion among the public, and indication has gone furthest, and where the regulators are making and representation of a decline in some sequipment now available.

supplier companies is now much more clear. Liberalisa- Leading world tion is imposing strains on an industrial structure which has already been battered by the telecommunications imperatives of technological advance, and which is looking outward to a period when the whirlwind of innovation threatens to grow even stronger.

One outcome of regulatory change is that manufacturers are, in some cases, being cut off from the stable, cash-generative section of the telecommunications industry—the telephone operating business. In the US, AT&T used to manufacture equipment, supply it and operate it, so its telephone divisions were always bringing in a steady stream of cash to support its investment in research and development and new products. evelopment and new products. In the UK, the forerunner of British Telecom pumped money into the development of new equipment in joint ventures with independent suppliers. These two companies—GEC and Plessey—will have to support future equipment development from their own budgets alone, just like AT&T.

Just like AT&T.

Another result of liberalisation is that equipment producers can no longer be assured of a domestic market in which to. cover the costs of the develop-ment of their products. The opening of markets means introducing an element of comintroducing an element of com-petition across national fron-tiers which has not been seen in US equipment-makers.

telecommunications before. Furthermore, as manufacturers examine ways of spreading the cost of developing new equipment — it is estimated, for Mercury Communication example, that the next range of public digital switches will cost at least \$1bn each—they are faced with a situation in which winning orders in other peoples' backyards is a condi-

tion of survival.

The heightening of competitive pressures in this way looks like a recipe for trade friction.

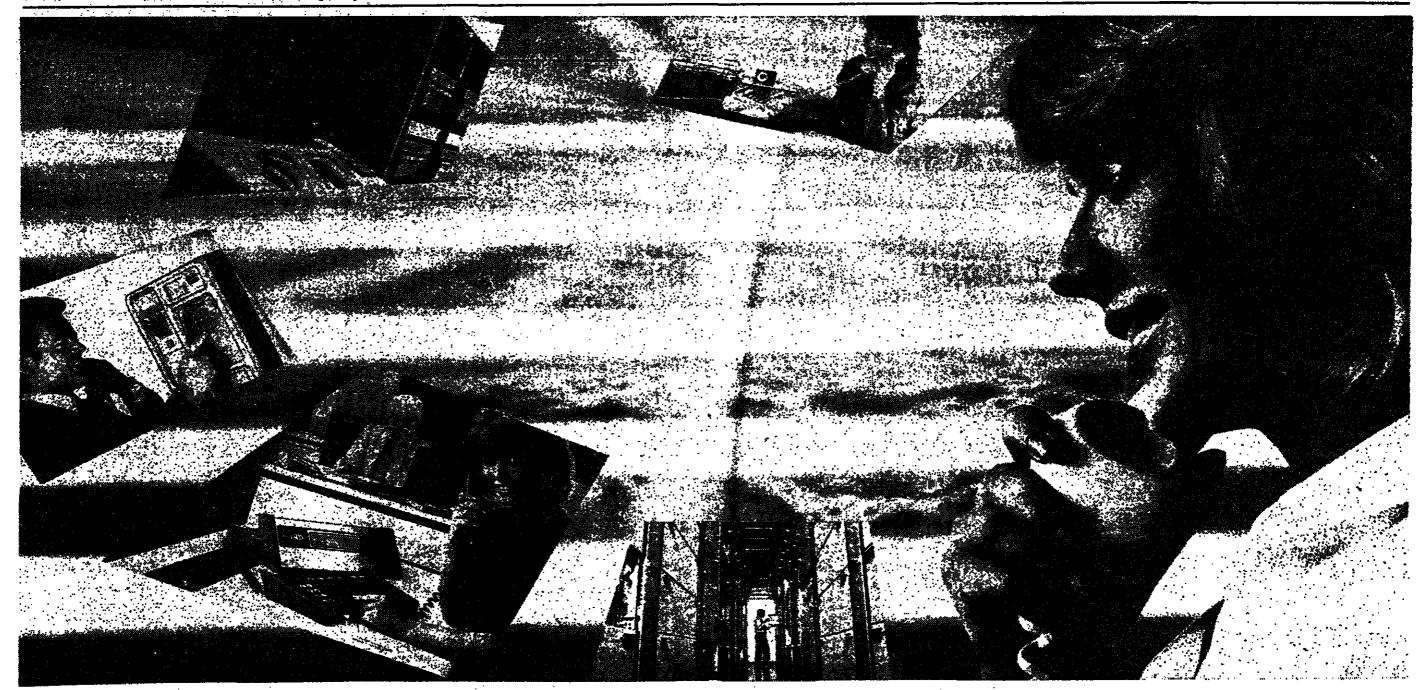
Indeed, the signs are that such a struggle is already beginning on a French battlefield after what some now see as a pre-emptive strike by CGE, the owner of CIT Alcatel, the French public switch manufacturer, to take

manufacturers of

equipment	
Company	Telecom- munications sales* 1994 Em
AT & T (US)	7,590
(TT (US)	3,550
Siemens (West Germany)	2,530
Northern Telecom (Canada)	2,460
L. N. Eriesson (Sweden)	2,330
MEC (Japan)	2,010
Alcatel-Thomson (France)	1,935
GTE (US)	1,710
Philips (Ketherlands)	693
EEC (UK)	74£
Fujitsu (Japan)	744
Plessey (UK)	677
italtel (Italy)	470

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The height of high technology

competitive challenges.

Terry Dodsworth

which characterised their businesses under the old mono-

lithic US telephone regime. But none of them are anywhere near

none of them are anywhere near-mature as yet, and it is impossi-ble to say what they will look like a decade from now.

For the time being, despite the changes, there are some strong similarities in the way

the seven regionals have per-formed since the break-up. At

the time of the reorganisation there was a tendency among investors to think of the local

The predictability of the util-

Securities industry.

Nynex, indeed, has had record growth in call volume as

Added to this underlying rise in volume, the regionals have also been able to benefit from taking off some of the fat left on them from the AT & Tera. They have shed staff universally in the last three years, boosting earnings through cost-cutting and neglectity sains.

estrings through cost-cutting and productivity gains.
Southwestern Bell, the regional group based in St Louis, has reduced its workforce by 3,000, or 5 per cent, since the beginning of this year, and is aiming to trim another 1,000 in the final three months of 1966, bringing its payroll cuts to about 13 per cent since 1984.

cent since 1984.
US West has similarly trimmed its employee ranks by 5,700 over the last 12 months.

The results of the Bell com-

The results of the Bell companies have risen in tandem with these benign operating conditions. In the first nine months of this year, Pacific Telesis has generated a 17 percent increase in net income, while Nynex's profits were up by 11 per cent, and Bell Atlantic's by 8.8 per cent.

Ameritech, based in Chicago amidst the problems of the farm

Americen, based in Chicago amidst the problems of the farm belt and the struggling US manufacturing sector, achieved a 3.8 per cent rise, just a little better than inflation.

Wall Street has responded to this growth and the higher dividends that have flowed from

it (most of the operating com-panies currently pay out about three-quarters of their annual

earnings) by pushing up the

Subscribers still have doubts

THREE YEARS after the break-up of AT&T in January 1984, the jury is still out on the impact of telephone industry dereg-

One of the most complex reorganisations even forced on a large industrial and commercial structure has been worked through with relative speed and a surprising lack of unpredictable surprises.

But it is by no means clear hether the US will end up egretting the demise of the old sell system with its ability to leliver a slick national service hat was the envy of the world. The task that was imposed on the authorities in the wake of the Justice Department decision dismembering AT&T was a delicate one. They had to engineer the gradual liberation of the market—and particularly the long-distance business— while avoiding both undisciwhile avoiding both indisci-plined chaos on the one hand, or the re-emergence of the old monopoly structure under a free-market hat on the other.

The problem was essentially one of grappling with the enormous strength of the Bell system—neither shackling it unduly, nor allowing the large installed base and unparalleled service experience of the Bell companies to swamp new competitors before they were established.

The difficulty of maintaining

discipline in such a process can best be illustrated by a typical long-distance business call from, say New York, to San Francisco. In the post break-up environment, this will start off in an office on a telphone set which may well have been built in South Korea, and be transferred to the outside world via a switchboard which could have been acquired from any number of companies, but which would, under the traditional system, have been supplied by AT&T.

The call will then go to the facilities of the local telephone operating company, a descen-dant of the Bell system, which will route it on to a long-dist-ance carrier.

For these trunk lines there ror these trunk lines there are now several possibilities, ranging from the numerous small operators (who lease lines or sell them) to the big players—AT&T, with about 80 per cent of the market, MCI and US Sprint. In California, for example, the long-distance company will transfer the call to another local operating group, which will

pient of the call in San Fran-cisco.
This operating structure is clearly more complex than using AT&T from beginning to end—complications which inevitably gave considerable grounds for scepticism at the time of the break-up.

First, the critics argued, such a system was likely to be less easy to run and simple to under-stand for the consumer. There was a strong possibility that the enviable speed and efficiency which AT&T had established in installing and maintaining lines would be sacrificed for a more cumbersome organisation. Opponents contended that there would be long delays in services because there would be a confusion of responsibility over

various bits of the network. Second, there was a fear that prices for local users could rise exorbitantly—some said by as much as 300 per cent—as a result in the decline of the subsldy for the residential network

sidy for the residential hetwork from long-distance calling. The old system, the critics claimed, was more logical and socially responsible, allowing virtually anyone to have a tele-phone because local rates were kept down. In such an industry, they argued, it made more sense to control prices through the regulatory process, rather than

None of the changes has proved as drastic or as damaging as the critics had suggested, however. This is partly because the regulatory process is still there, with the Federal Communications Commission (FCC) in Washington controlling the introduction of new long-dist-ance services, and the local Public Services Commissions maintaining a grip on the regio-nal operating companies. The change to a multi-supplier system has also been achieved relatively smoothly, and with some significant improvements to offset the teething troubles.

On the debit side, telephone company officials concede that it now takes longer to install a new service than before the break-up. Delays were particu-larly acute just after the change in the structure in 1984, and have been reduced considerably since then as the telephone companies have shaken down their new organisations.
Business probably suffers

most because private dedicated lines and Wide Area Telecommunications Services (WATS) tend to demand the co-ordina-

US telecom sales forecasts

S Premises equipment in Str. Terminal equipment 3,226 4,428 Data commu 3,679 6,587 Local area network Switching againment 5,848 7,642 776 2.168 a Public telecom sales la Sm: 3,699 5,498

distance network, and equip-ment suppliers), rather than the one-stop AT & T organisation of

Cellular mobile radio 1,200 4,600

ent 3,112 2,674

137,462 209,587

Switching equip

yesteryear. Residential rates have also gone up sharply—by around 45 per cent on one estimate—as more of the cost of the local infrastructure has been loaded on to the area where the expenditure is incurred. This is cleary well over the rate of inflation, and has brought a dis-

initiation, and has brought a dis-proportionate part of the "cost" of deregulation to bear on the less well-to-do. In addition, there is no doubt that deregulation has sown con-fusion in the public. Some people do not understand the long-distance choices being offered to them. Others are irritated by too much choice—the telephone boxes which now take two or three long-distance cards are often the ones that callers avoid at airports.

On the other side of the coin. however, long-distance rates have fallen rapidly. They are now down by 23 per cent on average over the three-year period, despite the continuation of some access charges on the long-distance companies to link Into the local network.

Customers in most of the US

can also chose an alternative supplier to AT&T on the long-distance lines, with less hassle than in the past. They no longer have to dial an elaborate code to link into the alternative services. vice before putting through their calls; and they can buy the send it via more customer tend to demand the co-ordina-equipment—possibly a Hong tion of several companies (the Kong-made handset, to the reci-local operating groups, the long-8 to 10 per cent less for business

customers and up to 35 per cent len on stony ground, however, less in the case of residential. Ten states at least have made clients.

Independent studies suggest in the past two years, and Neb-that the quality of service is also raska is pushing for a fairly sub-improving—partly a by-product stantial form of local liberalls of the move to fibre optic cables, ton. Not all the local operating but one which has probably companies want more freedom been hastened by the introduc-tion of a competitive system. Some, like US West. for At the same time, product example, have pushed quite prices have continued to fall hard for it dramatically. Private exchange equipment has come down to about \$600 a line from \$1,000 a line before the break-up.

For the companies that used to comprise the total Bell system, the break-up has produced in the beak-up has produced by the statement of the sta

mixed fortunes, with strong pro-fits from the seven regional hol-ding companies, and a more patchy record from the rump of the old AT&T—now a long-distance operaor, equipment manufacturer and research and

facturer and research and development company.

The change in structure has given them all the opportunity to slim down and improve their efficiency, with big job reductions which might have been difficult to achieve under the old structure.

Completely many system.

The problem with tariff to an illitate against the weakest customers, the low-volume, frequently remotely-situated, residental users who, unlike business clients, represent a

make changes under the cover cost rather than a flow of profits of deregulation which they to the operating companies. would not have been able to do otherwise," says Mr Francis which the local deregulation McInerney, vice president of issue will eventually be fought. Northern Business Information, the research group.

Northern Business Information, the research group.

The big question mark hanging over the industry now is how much further deregulaton will be pushed through in the regions, where the Bell operating companies are still the reg-

Recommendations

Only a few weeks ago. Mr Mark Fowler, chairman of the FCC and two other officials of the regulatory agency, published a discussion document advocating wholesale liberalisation of the local markets. They recommended that operating companies should have more freedom to set their tariffs, in return for an open network for an open network architecture design for the local exchanges that woud allow any-one to access the equipment

Mr Fowler argued that there are countless entrepreneurs awaiting to take advantage of such a chance to introduce a variety of services—automatic switch-on for central heating devices, for example, burglar alarms, or over-the-line medical

The FCC proposal has not fal-



The US financial sector is setting the pace in advanced business telecommunications: left, a section of Salomon Bros' main trading floor in New York

US regional companies

Seven Baby Bells grow up

THE BABY Bells, the seven regional US telephone operating companies born out of the break-up of AT & T almost three AT & T and US regional holding company results years ago, are infants no longer. Like adolescents developing their own personalities, they are beginning to break out in several different directions, gradually losing the uniformity

: Company	3rd quarter 3 revenue \$bo	ord quarter net income \$m	3rd quarter EPS	9 months revenue \$bn	9 months net income \$m	9 months EPS	access lines
AT & T .	8.43	533.0	0.48	25.56	1,484.0	1.32	N.A.
Ameritech	2.3	291.8	3.03	6.99	-861.0	8.90	14,693,000
Bell Atlantic	2.5	297.9	1.49	73	895.2	4.48	15,406,000
Belisouth	2.89	399.2	1.26	8.62	1,228,0	3.94	13,000,000
NYNEX	2.87	314.3	1.55	8.39	921,6	. 4.55	13,845,000
Pacific Telesis	2.31	285.1	1.32	. 6.79	842.0	3.92	11,940,000
US West	2,14	268.3	1.41	6.22	718.4	3.78	11,880,000
Southwestern Bell	1,96	257.5	2.58	5.89	741.5	7.44	11,076,000

shares of the operating groups tic foray into the cellular phone in a way that makes them look business with the acquisition of anything but the dowdy utilities Metromedia's activities in this that were being written about in area for \$1.2bn, the biggest biokers' circulars three years single purchase by any of the

operating groups as rather dull utilities shorn of the glamorous long-distance, equipment and research businesses which remained within AT & T itself. ago. regionala.

Total investment returns for • US West: Also keen to bolster the group—the "magnificent sluggish regulated earnings seven —has averaged better through diversification, US than 30 per cent, including both West has built a diversified actidividends paid and share price vities group consisting of celluity aspects of the regional com-panies' business, however, has

since come to be seen as an appreciation.

Nynex, at the top of the list assured flow of cash from a reg-ulated business that is, as yet, has achieved a 35.4 per cent return up to September 30 of this year, followed by Bell South on 35.1 per cent, while only one of the group has achieved less than 30 per cent for share-holders—Southwestern Bell at relatively competition-free.

The latest figures from the regional companies demonstrate the continuing strength of trate the continuing strength of this regulated base. Overall, the seven groups have experienced a steady expansion of traffic over their existing networks. The number of new lines com-ing into service has also adv-anced moderately, with a par-ticularly strong upsurge in 29.9 per cent.
The last three months, however, seem to indicate that

some of the easier gains from the break-up have now been

ticularly strong upsurge in areas which have benefited the most from the patchy growth of The main diversified activi-ties of each of the operating companies are as follows: the US economy.

Bell South, for example, in the e Ameritech: The Chicago-based group owns Applied Data Research, an IBM computer software company from Princehigh-growth southeast of the US, has seen strong volume increases, while Nynex, the ton, New Jersey, along with pro-fitable publishing and finance north eastern regional which embraces the New York and activities and a 20 per cent stake in Canadian cellular mobile Boston financial centres, has experienced an unexpected boost from the boom in the

It is expecting that between 30 per cent and 50 per cent of its annual earnings growth will come from non-regulated tele-phone activities by 1988.

Bell Atlantic: An aggressive diversifier, Bell Atlantic has branched out into minicompu-ter distribution in Canada, and

record growth in call volume as well as new customer line installations.

Even US West which is operating in a difficult economic climate in the region which lies squarely over the Rocky Mountain system from Canada to Mexico, brought 150,000 new lines into service in the third quarter of this year.

Added to this underlying rise in volume, the regionals have ter distribution in Canada, and telecommunication equipment marketing in Texas.

It has also moved into financial services, particularly through the purchase of Greyhound Capital from the long-distance coach operator, and a computer leasing group in Europe. Earnings growth in this division could approach 50 per cent of the group's total next year, it says.

year, it says.

Bell South: With than average growth in its basic business, Bell South has moved cautiously on its diversification programme. It is expanding into national directory sales, has established an in-house real estate business, and has acquired 40 per cent of a cellular and paging company in London.

 Nynex: Nynex has been fight-ing hard to protect its directory publishing against Southwest-ern Bell's attempts to break into the lucrative Manhattan market It is also showing interest in pressing for local deregulation in certain areas in order to offer a broad range of services.

 Pacific Telesis: PacTel, a wholly-owned subsidiary for the group's unregulated activities, has moved into cellular telphones, equipment sales and publishing of visitor guides. It is also expanding in international markets, using its operation. markets, using its operating know-how to capture contracts in China and South Korea for advice on the 1988 Olympics. · Southwestern Bell: Trapped in a region which has suffered heavily from the decline in the oil and farming sectors. Southwestern Bell has made a drama

publishing, real estate and financial services.

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Its property division holds almost \$700m of real estate, while its finance subsidiary is sixvolved in computer leases and permission to offer insurance and brokerage services.

Terry Dodsworth



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World Telecommunications 3

Long-distance Services in US

Most callers now have a choice

US long-distance telephone industry has edged forward towards the brave new competitive world conceived by the anti-trust lawyers in the break-up of AT&T three years ago. The market has become more open and less regulated. Prices have dropped like a stone—by about
23 per cent on the last count.
It is still not clear, however, to
what extent the AT&T monolith

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has been dismantled, or what structure will finally emerge to take its place in this huge, \$500n-a-year business. The most significant changes fall into two main categories:

The first is the rapid develop-

ment of alternative vehicles to the AT&T network. The installation of new equipment to allow these alternatives an equal abil-ity to hook into local exchanges (equal access), now means that about 7 out of 10 Americans can choose to make their calls via a rival carrier. Customers were canvassed

earlier this year to choose their favoured vendor, and by September they had been linked into the service of their choice in areas covering 70 per cent of the country.

Under the new system, users no longer have to go through an elaborate dialling procedure to pick up a non-AT&T service, a procedure which was regarded as a significant disincentive to

moving to the new carriers under the old regime.

Second, the regulatory framework which was designed to put a straitjacket on AT&T during the early part of the break-up period, has been considerably loosened, allowing it to operate on more equal terms with its smaller competitors.

Following the break-up order, AT&T had its engagement market

AT&T had its enormous market power deliberately blunted by forcing it to pay a higher "access charge" to the local telephone operators than its rivals.

The access charges were a deliberate attempt to levy a kind of tax on the long distance carriers, who have a preponder-ance of business customers, to pay for wiring and infrastruc-ture costs at the local level. By thre costs at the local level. By this means, administrators aimed to keep prices down so that telephones remained within the financial reach of the poorest families.

To reflect the increasing commentation in the market the long state of the newcomers, is in the middle of the newcomers.

performance picture—the quality and cost of service, and, the cheaper for residential custom-ability to attract sufficient trafers. but maintaining the price SBS ha ability to attract sufficient traf-fic volume to carry the overbeads racked up through ambi-

ance battle business have still appertains. Here, the new changed, it is becoming apparent that the challengers to AT&T's position are still struggling to develop viable alternative businesses. Among the customers need to use their services.



In the US a caller uses Airfone, one of the world's first public air-to-ground telephone services available to airline passengers.

US long distance telephone market								
Company	1984 Revenue \$B	1985 Revenue \$B	1986 Est Revenue \$B	1989 Proj Revenue \$B	1984 Mkt share %	1985 Mkt share %	1986 Est market share %	1989 Proj market share %
AT&T	33.19	34.91	36.00	NA	91.0	86.0	81.0	72.0
MCI	1%	2.54	3.45	NA	4.0	6.0	8.0	13.0
US Spriet	1.245	1.345	1.500	NA	2.0	3.0	4.0	9.0
Others _	3.60	5.20	9.05	NA.	3.0	5.0	7.0	6.0
Total market	40.0	44.0	50.0	62.0	100.0	100.0	100.0	100.0

ior historical knowledge of the market.
In addition, the extra cost has

problems they have faced, and in many cases continue to face, are the following:

The cost of investment to construct sufficiently large networks to compete with AT&T is proving a heavy strain on the financial resources of the financial resources of the second much more heavily than its competitors. Some estimates put budgeted spending as high as \$500m this year by all the carriers, with AT&T accounting for

newcomers. MCI, the largest of the alterna-tive long-distance groups, and the company which first began the challenge on AT&T's domi-

differential is severely trim-ming its margins. Heads raced by another and the street and the stree

budgeted spending as high as \$500m this year by all the car-riers, with AT&T accounting for at least two-thirds. The alternative carriers complain that they have been at a disadvantage in this campaign partly because they have not been able to target customers so precisely as their larger com-petitor, which clearly has super-

US Sprint, the second largest of the newcomers, is in the middle of an 18-month long \$1.5 to higher access charge demanded from AT&T has been steadily reduced, and the charges of its competitors gradually increasing pressure on its in the middle of an 18-month long \$1.5 to more iting increasing pressure on its some areas.

The change is plunging the long-distance carriers into an environment which is relatively undistorted by regulatory demands. It is consequently becoming more difficult for AT&T's challengers to compete on price alone, undercutting the larger group by taking advantage of its higher access charge.

Other factors are now gaining more prominence in the performance picture—the quality and cost of service, and, the

unquestionably made a dent in

SBS had started off as an ambitious scheme to transmit AT&T's dominant market posi voice and data for large business customers, mainly over microwave links, but failed to ance revenues has deteriorated attract the volume to make it from a little over 90 per cent of the market two years ago to just The deal with MCI has taken over 80 per cent today.

SBS into a more conventional In the recent round of

cut-price long-distance opera-tion, while holding out the distance customers, AT&T is possibility that IBM can use the reckoned to have captured business as a link in its drive around 75 per cent of the vote. into the market for integrated data and communications.

With the addition of SBS, MCI

Despite this steady decline in its market position, AT&T's wolume of business has still kept

a profit for several years, and whose main virtue lies in its potential to give manufacturers additional volume and geographical reach in a tight marketplace, has dragged in Governments as well.

Behind Siemens, the West German Government has been lobbying heavily in France, while the US administration has

pendent telephone operating group, has this year merged its Sprint long-distance subsidiary into United Telecommunications' US Telecom subsidiary in a 50-50 joint venture. This creates a group HS Sprint with a ates a group. US Sprint, with a customer base of around 2.6m and a network of 13,500 miles of fibre optic cable already in the

\$200m a year, while reducing

with the addition of SBS, MCI now claims to have about 4.5m customers, of which 3.6m are residential. It has also managed to increase its penetration among the Fortune 500 companies, bringing its total to 450 companies against 407 at the beginning of the year.

With about 8 per cent of the US long-distraction in the French Government, the ultimate owner of CGCT and
Alcatel.

But now the fate of CGCT, a company which has rarely made a profit for several years, and whose main virtue lies in its potential to give manufacturers.

the 15 per cent target it has set break-up, some gloom-mongeritself, and which many analysts think is a necessary condition for survival in the business.

It is pushing ahead with its point. And with its large installed base and lower relative constitution of fibre optic cable in the profits out of its long-distance of the break-up, some gloom-mongerers were predicting a precipitous decline to only around 60 per cent of the market by this point. And with its large installed base and lower relative costs, it has continued to make profits out of its long-distance of the section of the sectio

large market base to begin to earn adequate profits.

In a commodity-type business, they need volume to survive. But they are finding it a very expensive business to buy that

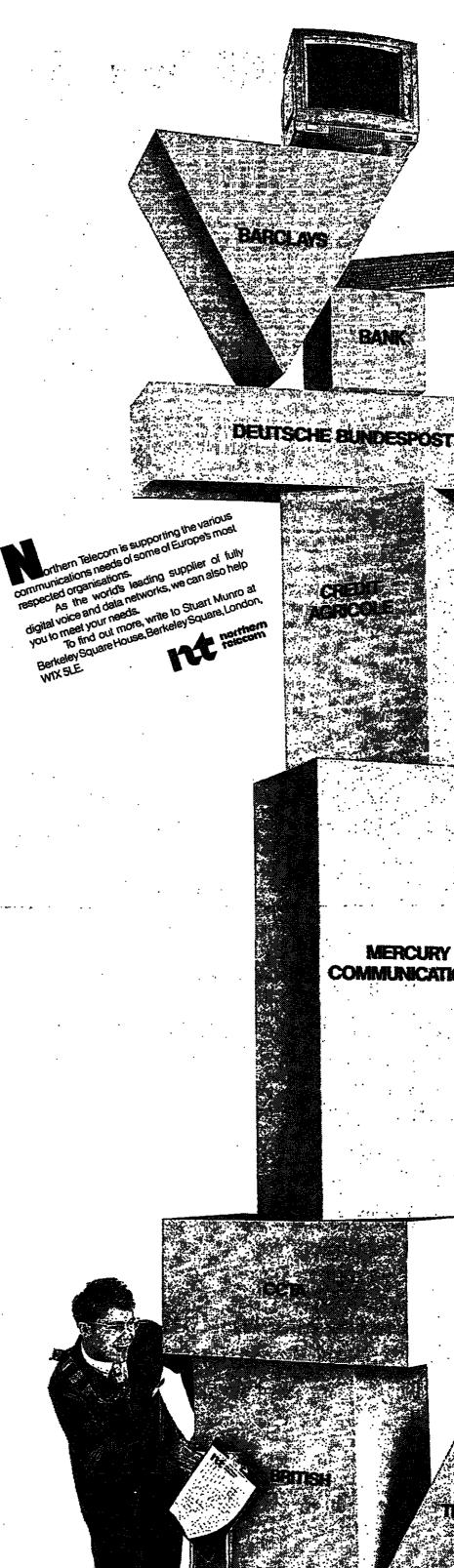
volume as the Federal Com-munications Commission takes By the end of next year it is expecting to complete 23,000 miles. The immediate benefit of the merger to GTE was to reduce losses running at around the merger to GTE was to reduce losses running at around the merger to GTE was to reduce losses running at around the merger to GTE was to reduce losses running at around the merger to GTE was to reduce losses running at around the merger to GTE was to reduce losses running at around the merger to GTE was to reduce losses running at around the merger to GTE was to reduce losses running at around the merger to GTE was to grow to their present to grow to their present to grow to their present to grow to the merger to GTE was to grow to the merger to GTE was to grow to the grow to grow to the grow to grow to the grow to g

Terry Dodsworth

US Central Office Sales and Market Share

Company	1984' CO sales \$	Local lines installed	Local market share %	Toil trunks installed	Toll market share %
AT & T	2,413	3,185	45.8	706	47.4
Northern Telecom	1,135	1,909	27,4	514	34.5
GTE .	791	1,525	21.9	227	15.2 [.]
Plessey	95	195	2.8	19	1.3
π .	50	90	1:3 ·	19	1.3
NEC	20	40	0.6	- 5	0.3
CIT		12	.0.2	Ō.	0.0
Other	Ö	· -0	0.D	įŌ	0.0
Total	4,509	6,956	100.0	1,490 ·	100.0

new order, rather abusive skir- Note: There is a time lay between when a sale is recognised and when a mishes around the body of a system is installed; consequently sales and installation market sales are not



Whirlwind of change

Continued from Page 1

over ITT's exchange manufacturing division. The link up will create the second largest equipment supplier of its kind

equipment supplier of its kind in the world.

Although many analysts claim that it will be very difficult to make this merger work, it has been enough to stir up the rest of the industry.

Siemens of West Germany, faced with a French group which will have more than 30 per cent of the West German market through the ITT link, has quickly stepped in to stake its claim to a chunk of the French

World sales of public switching equipment

Sales by leading manufacturers.			
in Sm p	Sales of all ublic switching equipment 1985*		
Company AT & T	£m 1,350		
Northern Telecom	1,000		
NEC-Fujitsu-Hit	1,600		
Siemens	950		
III	850		
Ericsson	<i>7</i> 50		
Alcatel-Thomson	700		
GTE	350		
Plessey	260		
GEC	260		
Italtel	180		
Philips	130†		
Stromberg-Carl.	70‡		
Others	126		
	5 070		

* Or latest year available. † AT & T product. ‡ Plessey subsidiary, but selling a range of public switching equipment specifically for US

market through a take-over of CGCT, which supplies about 16 per cent of the French public exchange market.
The Siemens bid would have

been all very well if AT&T of the US had not made a previous offer and come close to clin-

while the US administration has weighed in on the part of AT&T. going so far as to threaten a ban on Siemens sales of telephone exchange equipment in the US if the West German manufacturer is allowed to win the bid for CGCT.

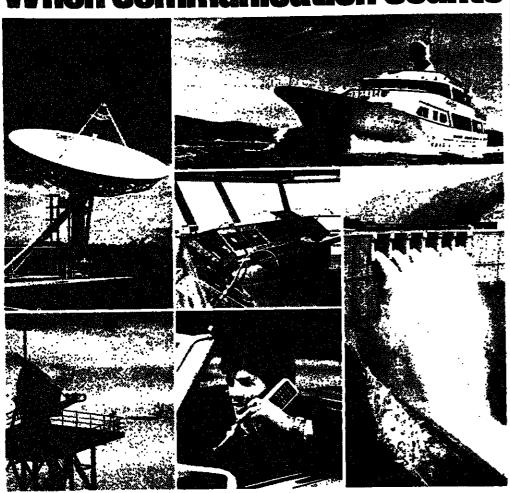
This outburst of trade friction, in which the US authorities angrily attacked Europe for alleged protectionism, demonstrates the exceptional importance which Governments attach to their telecommunications companies. The big groups in the industry continue to be seen as technology leaders and national champions in a growth

It is natural, therefore, th governments, including eve those that have liberalised the domestic markets, should inte vene and try to help out on b half of their country's flagshi It is even more to be expected an Industry in which regulation

is totally ingrained.

But it will not help the overa
health of the sector at a tim when the need to rationalis capacity suggests that gove ments shoud be turning the attention to the creation of disintegrating corporation.

JRCWhen Communication Counts



Communication

A simple word for a very complex human activity-the transfer of ideas and information from one mind to another.

Communication has been the basis for every collective effort mankind has undertaken, for every success in the long development of civilization. JRC has played a role in this development, with advanced communication systems that get the information through quickly and reliably. Whether on land or sea, in industry or at home, JRC is at work, bringing minds together.

Air Traffic Control Systems

Vessel Traffic Systems

technologies from JRC:

Satellite Earth Stations

Communication and computer control

Automatic Mobile Telephone Systems

Digital Radio Communications Syste

River/Dam Management Systems

Rural Radiotelephone Systems

• Radio Coast Stations . INMARSAT Ship Earth Stations

JRC Japan Radio Co., Ltd. or, Temple Chembers, Temple Avenue, London E.C.4 Te West European Scene

Old patchwork begins to come apart

lightly stitched in place for the

far from clear.

State-controlled monopolies, which have long dominated telecommunications in most competition and changing market needs. Since Britain liberalised its market in 1981. France, the Netherlands and West Germany have all launched reviews

Though many of these pressures are common to all European countries there is a considerable divergence of response. Different countries are moving at varying speeds and adopting different solutions, making it hard to detect a clear overall direction for the future.

Though many of these pressures are common to all European countries are moving at varying speeds and adopting different solutions, making it hard to detect a considerable divergence of response. Different countries are moving at varying speeds and adopting different solutions, making it hard to detect a considerable divergence of response. Different countries are moving at varying speeds and adopting different solutions, making it hard to detect a future. many have all launched reviews of their national policies.

Simultaneously, Europe's overcrowded equipment indusovercrowded equipment indus-try faces huge challenges, too. Squeezed by protected national markets, tougher international competition and rising costs. the industry appears ripe for rationalisation.

A dramatic step was taken in

this direction earlier this year when CGE of France and ITT of the US agreed to merge their equipment businesses in a joint venture which would create the world's second-largest manufacturer, with operations in a

These developments are the product of a diverse array of pressures for change which have built up more or less simultaneously over the past few years The main ones include: dozen countries. nciude: Technological convergence.

which is rapidly eroding traditional boundaries both between telecommunications and computing and with other industries such as financial ser-vices and retailing.

• International competition in equipment and services, fuelled by US deregulation and the break-up of American Telephone and Telegraph.

Mounting demands for wider

choice and more economic tariffs, particularly from large telecommunications Political pressures within

many countries for changes in the role and style of operation of national telecommunications administrations (PTTs).

THE THREADS which have facturers, particularly of public kept Western Europe's exchanges, which are patchwork of telecommunications markets and industries protected home markets, to protected home markets, to expand so as to acquire the ecobest part of a century are star-ting to unravel. But exactly what new pattern will emerge is still costs.

Though many of these press

The confusion stems partly from the fact that European countries in redefining their telecommunications policies, telecommunications policies, are seeking to pursue two separate goals. They want to stimulate more vigorous and innovative markets for telecommunications equipment and services while also building up internationally more competitive supplier industries. But these objectives are not proving these objectives are not proving

easy to reconcile.

Governments in many countries have come to recognise that the traditional monopoly that the traditional monopoly system, which has treated telecommunications as a sedate supply-driven utility, is no longer appropriate to any industry which is being drastically reshaped by rapidly changing technology and falling costs.

Hence many PTTs are under their corn.

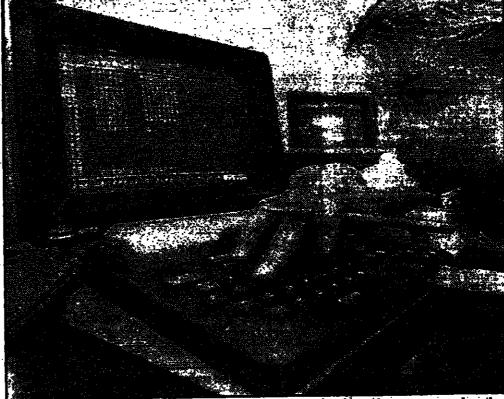
pressure both to make their own operations more efficient and to allow new competitors into the market. Several countries have market. Several countries have already taken steps to liberalise the supply of customer equipment and value added network services, though only the UK has so far permitted competition in the public telephone network in the form of Mercury Communications, a subsidiary of Cable and Wireless.

The urge to liberalise is tempered by caution, however. No

The urge to liberalise is tempered by caution, however. No country wants to throw open its market simply to have it over-run by foreign competitors. Behind much of the recent policy debate appears to lie a desire by governments to stimulate just enough competition to keep the PTTs (posts, telegraphs and telecommunications) on their mettle but not so much as to jeopardise their commercial position. position Lumbering and buresucratic

nowledged to possess a vital strategic role in their national strategic role in their national high-technology efforts. Their massive financial, technical and commercial resources endow them with powerful potential as defenders of the national interest both in their home marinterest both in the marinte Telecom's domestic monopoly have alternated uneasily with a tendency to view BT as an emerging "flagship" of the high-technology industries. Earlier this year, the Government rejected the advice of the Moro-

polies and Mergers Commission and authorised BT to move into



On screen directory: in France, a secretary checks the phone numbers on screen when the seven-digit numbering system was changed to eight digits to boost the number of possible subscriptions available.

World sales of public switching equipment

Sales of all in £m NEC-Fajitsu-Hit. 750 700 Alcatel-Thomson 260 260 180 130† 70‡

He. † AT & T * Or latest year av

120

naing its new-found commercial ment venture with Philips of the freedom to increase the press- Netherlands. than to assist them on inter- the resolution of the con-

business and enforce more combusiness and enforce more coming the petitive procurement policies.

However, the DGT has been out-manoeuvred by CGE, its main traditional supplier, which first engineered a link-up with AT&T and subsequently with ITT. The fear in the DGT is that these agreements, which have still to be approved by the French Government, may severely restrict its future choice of suppliers.

The remifications of the CGE/ITT affair is likely to have longer-term implications for the EEC's recent efforts to strengthen industry by stimulating subsidiated collaboration between leading manufacturers and the

choice of suppliers.

The ramifications of the CGE/ ITT affair have, of course, spread far wider than the DGT and have developed into an international political controversy into which the West German, US and Netherlands

Governments have all been drawn.
Although CGE has sought to present the FIT-deal as a European initiative, many other countries are acceptical, viewing it largely as a tactic by the French state owned group to advance its own interests by gaining centrol of ITT's large European customer base.

Bom has reacted by pressing the French Government to sell the nationalised CGCT telecommunications group to Siemens, the West German electronics group, which would thus gain control of CGCT's 16 per cent share of French public exchange orders.
The West German interven-

manufacturing by buying control of Mitel, the Canadian tion, in turn, has incensed the PARK maker.

But this move and BT's deer that France and West Germany slon last year in order public are fatching a cosy-blisteral exchanges from Thorn Excisson, neal to share out each other's have aroused considerable son makers. The US, backed by the troversy. UK manufacturers with excission of the protested that BT is at a tract with the protested that BT is a tract with the protested that BT is a tract with Philips of the

servers believe that than to assist them on interaction the resolution of the connational markets.

In France the Direction for the fature of European Generale des Télécommunications guipment markets. Views are divided, however, on whether communications monopoly, the CGETIT deal, if it goes finds itself at the centre of an alread, will advance or retard even more complex imbroglio. After being used by the former Socialist Government as a milch cow to finance the loss-making equipment industry, the DGT would dearly like more independence to pursue its own indeed, the prospect of admit-

ting fresh competition could be extremely unattractive to CGE
while it was wrestling with the

leading manufacturers and the

PTTs.
The thrust of the EEC's initiatives lies in promoting common EEC-wide standards and cooperation on the development of advanced systems. The centrepiece is Bace, a joint programme intended to lay the basis for wideband telecommunications networks which are expected to enter service in the 1990s.

The programme has been widely applauded by the industry and by EEC governments. But it is at best only a partial solution to the industry's prob-lems since it is not buttressed by any measures to create a more open European market by dismantling the protectionist procurement policies long pracused by most European PTTs. Hence, while manufacturers may be in a position to make future products to the same

fiture products to the same standards, there is no guarantee that they will be entitled to sell the Europe wide. The EEC Commission has so far retrained from attacking PTT monopoly practices head-on, apparently because it fears that it lacks the necessary legal and political power and would and political power and would suffer a bruising rebuff. By contrast, the US Govern-

ment has been stepping up the pressure for chi aiready sought in bilateral talks to get West Germany to open up make an issue of European poli-cies in the forthcoming GATT world trade negotiations. Whether the US offensive will achieve its objectives of on the contrary, cause European countries to take up the cudgels in desence of the status quoremains to be seen.

Guy de Jonquieres

Shake-up in US Equipment Market

Manufacturers struggle to adjust

THE SHOCKWAVES of deregalation, the transformation of AT & T's local telephone operations into independent regional companies, continue to shake the \$22bn US telecommunications equipment industry, creating confusion and volatility for both buyers and sellers.

Telecom, its closest rival, sold to price such services aggressively. Centrex services for businesses with 100 phone lines or less may grow by an average 20 per cent over the next four years.

Together with Centrex, some phone companies are planning other value-added services industry what the 1930s depression which could give the equipment.

As the telephone industry; struggles to adjust to the new struggles to adjust to the new competitive environment, new technology—in the form of an integrated services digital network (ISDN) that promises to transform the largely analog telephone system into a computerised digital network which carries data and video signals along with voice—heralds even more drastic changes ahead.

In the meantime, suppliers of telephone equipment to businesses face the problems of a broad slowdown in US capital spending that is holding uppurchases of office-type phone exchanges and new office networks.

Son sates of the US economy, says Dataquest's Will C. Felling, says Dataquest's W

This has been a sluggish year for many portions of the US industry with supply exceeding demand in most market segments. Shipments of private branch exchanges, the switching systems installed in corporate offices, are projected to grow by a lacklustre 6 per cent per year until 1990, according to par year until 1990, according to par year until 1990, according to par year until 1990, according to prevent will include reduced replacement opportunities as older analog systems are displaced and the anticipated growth of alternative Centrex services, offered by local telephone companies.

With Sales Ising 100m about \$550m this year to \$602m in 1990, he projects.

Rather than purchase their own switching systems, more businesses will turn to the telephone company for enhanced Centrex services over the next five years. Dataquest predicts. The installed base of "Centrex" systems is expected to grow from a current 6.3m lines to 7.6m by the end of the decade.

Deregulated regional Bell operating companies will make Centrex more attractive with new features such as cali-tracing which give the customer a record of the phone numbers of This has been a sluggish year

He projects a growth rate of only 1.5 per cent in line shipments over the next four years.

US.

growth of smaller key telephone systems, with sales rising from about \$550m this year to \$602m

revoices, offered by local telephone companies.

Estimated 1986 revenues of \$3.3bn will grow at an annual rate of 7.8 per cent to \$4.4bn by the end of the decade, the market researchers project.

In 1985, AT & T held its lead in the US market with 21.2 per cent market share, while Northern to buy their own equipment and the US market with 21.2 per cent businesses which cannot afford has come much faster than market share, while Northern to buy their own equipment and many in the telecommunica-

"1985 was to the key system other value-added services industry what the 1930s depression was to the US economy."

says Dataquest's Will C. Felling. vice president and director of the telecommunications group.

Using a "multiplexer" that splits a single phone line into seven channels—two for voice. and five for data—Pac Bell aims to offer residential and business customers access to a reason of data-retrieval services. range of data-retrieval services, including home banking, community bulletin boards, shopping and entertainment guides, news retrieval, entertainment and electronic management and electronic mail

Union have raised objections to Pac Bells' entry into the enhanced data communications field. And the phone company is awaiting a ruling from the Federal Communications Commission.

Although the role of the phone companies may still be uncertain, the merger of computer and telephone technology is already under way. Telephone companies throughout the world are working toward the implementation of an integrated services data network. While the US is behind Japan uncertain, the merger of computer and telephone technology is already under way. Telephone companies throughout the world are working toward the implementation of an integrated services data network. While the US is behind Japan and much of Europe, progress. and much of Europe, progress

fions industry had expected, in part due to the enthusiasm of equipment manufacturers who see ISDN as a major new

opportunity.
ISDN services are expected to be widely available in the US by the mid-1990s, with pockets of ISDN services amerging as early as 1988 in major petropolitan areas. Several field trials of ISDN

are scheduled to begin next year at regional phone com-panies and the world's major equipment manufacturers are vying for contracts to supply prototype equipment. Implementation of ISDN will

require a major update of telephone equipment, both at tele-phone companies and customexs offices. Analogue telephone-switching equipment will become obsolete and even existing digital switches will need to be adapted to fit ISDN standards

ping and entertainment guides, news retrieval, energy management and electronic mail.

Pac Bell plaus to undertake a major trial of the system next year with about 5.000 paying customers. Before the system enters commercial use, however, several regulatory hurdles must be overcome. Already IBM and Western Union have raised objections to Pac Bells' entry into the enhanced data communications are detailed to fil-ISDN on the telecommunications equipment business will come in the customer-premises equipment of Victor Krueger, vice president of Data-quest, a US market research company. ISDN will provide US vendors of terminals, televations of terminals, televations of terminals, televations of terminals, televations of the sales increase of 51bn over the sales increase of 51bn over the standards.

in the world growing to an esti-mated \$35bn by 1989.

Louise Kehoe



The UK Equipment Market

Suppliers show variety on offer

'A VISITOR to Britain need look no further than its high streets to see that the UK telecommunications equipment market, worth more than £1.7bn last year, has been liberalised. Phone shops and a variety of phones for sale in the high street multiples bear witness to this fact. this fact

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Since liberalisation, there has been a flood of equipment trying to get into the British market. So far the approval authorities have given the goahead to about 50 new makes of private exchange, about 40 smaller private exchanges known as key systems, about 400 types of telephone and about 20

ranges of cordless phone. Before liberalisation, by contrast, about 10 manufacturers supplied a limited range of private exchanges to the UK

However, the picture in the UK equipment market is more complex than the apparent one of a thousand products bloom ing, thanks to the delights of unrestrained competition. There are three reasons why the UK market is still not characterisd by anything like perfect

competition. First, British Telecom moved rapidly in the run-up to liber-alisation to consolidate and even strengthen its position as the dominant supplier of private exchanges.

BT used its dominance in the supply of exchanges below 100 lines to launch a modernisation programme, converting the older electro-mechanical exchanges. So successful was this drive that the market for private exchanges below 100 lines peaked in 1983-84. Prices have fallen and there may now be an over-supply in the market, leading some observers to predict a shake-out

Moreover, BT moved aggressively into the supply of exchanges with more than 100 lines, a market from which it was previously absent. In the year to March, BT captured more than 60 per cent of this market which has now also peaked, according to MZA, a specialist marketing consultancy.

The second factor slowing up unfair liberalisation is deficiencies in phones.

Public switching equipment sales in the UK 1981-82 1982-83 1983-84 1984-85 1985-86 All public switching equipm (including contract develop Estimated market size System X (including con

old master sockets which are unsuitable for modern telecom-

there would be a loss of tele-phone sales of £60m over three

years if BT kept control of the

that enstorners can choose from

many more products now than

they could at the start of the 1980s. More controversial is the

question of what impact this

greater competition has had on

the UK equipment industry.

The optimists say that, de-

prived of their captive home market, the big UK manufactur-ers, such as Plessey, General

Electric Company, and STC, have had to become more effi-

cient. They have modernised their products, embarked on

joint ventures with non-UK

equipment manufacturers and

optimistic account.

Nevertheless, it remains true

master socket.

As one industry insider puts enough. It demanded liberalisait: "Liberalisation has to be tion of the master socket too, fuelled by supplies of equip-where BT still retains a ment. Virtually everyone monopoly, because it said BT believes that BABT has failed in was being too slow in converting

The Office of Telecommunica-munications equipment.
ons, the industry's regulatory The association predicted tions, the industry's regulatory body, says a company might get a new private exchange approved in nine months if it made a perfect application and met all the industry standards immediately—but those are two big ifs. One executive with experience of trying to get his equipment approved describes the procedure as a "shambles," though he adds that it has

The third barrier to full competition is the simple fact that some areas of activity remain to be liberalised.

From today, for example, private contractors and do-it-your-self householders are allowed to compete with BT in fitting the sockets needed to install extension phones in private homes. This new piece of liberalisation follows complaints by BT's smaller competitors that its control over sockets gave it an unfair advantage in selling

the procedures for approving However, when the decision was announced in September, it private exchanges. In particu-lar, the British Approvals Board was immediately attacked by for Telecommunications has the Telecommunications Indusfor Telecommunications has the Telecommunications Indus-been severely hampered by a lack of enough telecom engineers.

the Telecommunications Indus-try Association, a trade associa-tion representing the indepen-dent sector, for not going far import penetration remains lower than that for UK manufacturing in general.

There have been areas where the response of the UK manufacturers appears to have been disappointing. One example is cellular radio. Despite the rapid growth of the service in Britain, most of the equipment has been made by foreign com-panies, though some of this is now being manufactured under licence in Britain.

Ericsson of Sweden and Motorola of the US have sup-plied the switches. Most of the phones come from companies such as Motorola, NEC and Panasonic of Japan, NovAtel of Canada and Mobira of Finland : the UK cellular phone market was worth almost £50m last year

on one estimate.
Government officials involved with the policy on cellular radio say that the price the UK had to pay for getting its service estab-lished so quickly was to lose out

on the equipment side.
British Telecom has tended to stay with its traditional manufacturers for ordinary telephones, though the share of BT orders going to individual companies has changed. However, most of the new phones on the market which are being sup-plied by routes other than through BT, such as in the high street multiples, are imported, mainly from the Far East. Some observers believe this is inevit driven down prices on what is essentially a low tech product.

A problem still to be resolved

is the future of System X, the only digital public switch developed in the UK, which has so far failed to win large orders abroad, BT's programme for installing System X has at last gone into top gear this year : one new exchange is being commis-sioned each working day on

average. However, observers have long considered it sensible for GEC and Plessey, Britain's two biggest makers of telecommunica tions equipment, to rationalise equipment manufacturers and put more effort into exports. and even merge their overlapping interests in System X. The optimistic account.

Monopolies and Mergers Com-The pessimists, however, argue that Britain has surrendered part of its market to imports, in return for very little

imports, in return for very little from other countries, most of whose markets, particularly in Europe, remain protected. The share of the UK market supplied by imports rose from marketing and data processing. about 8 per cent in 1981 to about

David Thomas

THE most important event for British Telecom in the next 18 months will be a political, not a commercial, one: the outcome of the British general election. A Conservative victory would

probably mean the sale of the Government's remaining 49 per cent stake in the company and further liberalisation of the UK telecommunications market. Labour, however, has prom-

ised to take BT back under pub-lic ownership and control. It has also talked of bringing Mercury. the sole competitor to BT's main network, under BT's wing. More uncertain is what a hung Parliament, with no single party in overall control, would mean

for BT. Sir George Jefferson, BT chairman, launched a stinging attack on Labour's public ownership proposals at BT's annual meeting this year, warning against BT becoming "a politi-

British Steel." Perhaps more surprisingly, there is no great enthusiasm at senior levels in BT for an end to competition and a return of its

cal football like, for instance,

"If we have fair and reasonable competition, we expect less regulation," explains Mr Iain Vallance, BT's chief execu-

"Competition should stimulate the market as a whole. It should stimulate us. And it should stimulate the industry that supplies us," he adds. More competition in the UK telecommunications market has given BT greater leverage over three crucial areas: • Its unions. BT's defeat of the

industrial action by the National Communications National Communications
Union, the largest in BT, taken
in 1983 over denationalisation
and liberalisation is widely
regarded as a turning point in
the industrial relations history

of the industry.
Since then, BT has taken the initiative in industrial rela-tions, driving ahead with plans for more efficient working practices. The presence of a com-petitor eager to grab BT's business if it were disrupted by industrial action is a potent threat to hold over the unions.

"Before 1981, the unions held undue sway and almost the power of veto over what BT management did. With competi-tion that power is weakened," Mr Vallance argues.

• BT management. Competition has also helped BT to overhaul its own management, installing a more commercial approach to its business. Financial and marketing executives have been brought in from outside the company.

Mr Vallance says he is satis-

fied that the top layer, the most senior 400 executives, now have the right commercial approach, though he acknowledges that



Jain Vallance, 43-year-old chief executive of British Telecom-"competition should stimulate the market and us."

British Telecom

Future hangs on politics

further down the line attitudes its traditional core business, are still "patchy." that of the public telephone ser-• Suppliers. Competition, for-vice, since UK calls and rentals cing BT to cut costs, has promplast year accounted for 55 per ted it to take a harder line with cent of its £8.4bn turnover. its suppliers, which in the past However, BT recognises that tended to be a small and rather defence of its core is not

cosy club of UK manufacturers. BT has introduced a second public digital switch, ThornEricsson's System Y, to compete
with the System X switch of
Plessey and the General Electric Company. BT's programme
of installing System X, once 15 tric Company. BT's programme of installing System X, once 15 months behind target, has now speeded up: one exchange is mmissioned each working day

on average. While benefiting from competition, BT has at the same time reacted aggressively to it. It has grabbed a dominant market share in the supply of some

equipment, such as the largest private exchanges, which it had previously ignored.

For some years, BT has also been "rebalancing" its tariffs, by raising local charges and rentals, but cutting long distance rates, where BT was most vulnerable to competition from

Mercury.
Its latest package of price changes this year, which ranged from an 18.9 per cent rise on local calls at peak times to a 17 per cent cut in some long-dist-ance charges, forced Mercury to announce an immediate 12 per cent cut in its charges for calls over 35 miles.

enough.
"Although it's good to have a

expand or move into afresh. One obvious target is value added services for businesses, where BT has launched a number of initiatives. For example, in September it announced a busi-ness information service, Hotline, aimed at financial analysts, marketing specialists, and small businesses. In Octo-ber, it said it was entering the market of managing other com-

However, the growth of the UK value added services market has not been as rapid as some people had predicted.

Last year, BT's combined dards of service; and worse concernue from value added services. vices, private leased circuits, telex, radiopaging and similar activities was £844m.

panies' communications net-

Other areas of opportunity for BT include its international operations and joint ventures ent cut in its charges for calls over 35 miles.

It is crucial for BT to protect

With other telecom companies, including equipment makers.

Mr Vallance says BT is pursuing a twin-tracked strategy to the

MANAGEMEN

increasing liberalisation of the flow of telecommunications traffic between countries: defensive, to hold onto the busi-ness that BT has already; and offensive, to exploit new opportunities which are opening up.

However, BT has been relatively cautious in arranging joint ventures or making acquisitions, particularly on the

manufacturing side.
"You can see some of the problems which AT&T have run into by doing some things too fast." Mr Vallance says.

BT's main initiatives so far have been acquiring Dialcom, the US electronic mail company; taking a 51 per cent stake in Mitel, the loss-making Cana-dian private exchange maker; and entering a joint venture with Du Pont of the US to make advanced opto-electronic com-

BT explains these either in terms of their strong fit with aspects of BT's existing business (Dialcom) or in terms of needing to keep closely in touch with key technologies and pro-ducts on the equipment side (Mitel and Du Pont). The Mitel and Du Pont initiatives have the added attraction of increasing BT's presence in and knowledge of the key US market.

Mr Vallance says that several more pieces may need to be added before the jigsaw is com-plete, but these are likely to be joint ventures or start-ups as acquisitions.

"The acquisition route is one you have to use prudently, because generally acquisitions fail to meet expectations," he

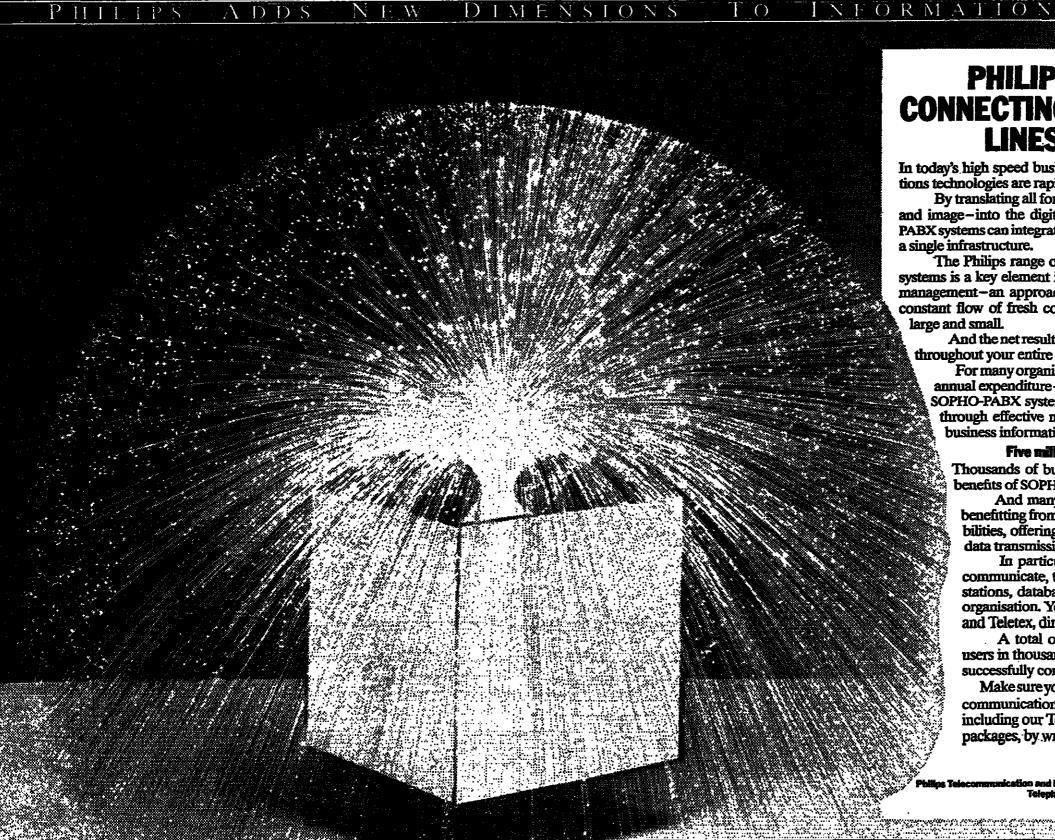
argues. BT's path since privatisation has not been entirely trouble-free. There are still plenty of grumbles from customers about quality of service. In October, Professor Bryan Carsberg, dire-ctor general of the Office of Telecommunications, the industry's regulatory body, warned that the formula governing BT's prices might have to be strengthened if its public commitment to quality of service

did not improve.

The telecom unions have also recently published a report, hotly disputed by BT, which argues that privatisation has meant dearer phone calls for the domestic subscriber; new charges for a variety of engineering services; an abandonment of BT's buy Brit-

However, among business customers, who have been the target of the competition between BT and Mercury, there is a feeling that BT's performance has certainly improved, even if there is some way to go before its act is fully together.

David Thomas



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UK's second national network

HISTORIANS LOOKING back at the development of UK telecommunications are certain to pick out May 1886 as a key date. That was when Mercury, which was previously offering private leased circuits to companies, launched its public telephone service.

Future assessments of the parent, Cable and Wireless, the likely to determine whether customers extend their use of Mercury.

After May, Mercury's initial concentration was on winning concentration was on winning the private private provided in the concentration of the parent, Cable and Wireless, the likely to determine whether customers extend their use of Mercury.

This initial sensitivity to price explains why last month Mercury cut its charges for trunk phone network. It says many of its customers were in the City, where there was an explosive

Future assessments of the UK's innovative attempt to liberalise its telecommunications market will turn in large measure on whether Mercury, the only carrier licensed to provide an alternative to British Telecom's main network, succeeds in establishing itself as a viable alternative to BT.

It customers were in the City, where there was an explosive growth in demand for communications in the run-up to Big Bang. Mercury has installed a fibre optic grid in ducts under the City owned by Loudon Hydralise and the City owned by Loudon Hydralise and the City owned by Loudon Hydralise in 1871, which it bought in 1985. in Mercury believes it has three main advantages.

could turn Mercury into the Mercury in the first place, dominant company within its though after that other factors,

Owen.

of Mercury

chief executive

Communicatous: price advantage is crucial in winning

decade.

• Diversification: Many companies seem to be transferring some business to Mercury as an insurance policy against major breakdowns in BTs service. This is particularly true in the City, where a breakdown in telecommunications services would be disagrated.

By the May launch, it had com-

The 2100 service has higher installation charges, but cheaper tariffs, than the 2200 suitable for larger customers— those with more than 30 lines outside the City of London. In

Telecom's package of price cuts on its long-distance routes being approved by the Office of Telecommunications, the indus-try's regulatory body.

 Quality: Since Mercury is a new start-up, it has been able to instal modern digital equipceeds in establishing itself as a viable alternative to BT.

Mr Gordon Owen, Mercury's managing director, has set an end-of-the-decade target of winning 5 per cent of the UK telecommunications market, which is likely to be over £100m by then. He envisages a 10 per cent share within 10 years, which could turn Mercury into the ment from scratch, which allows

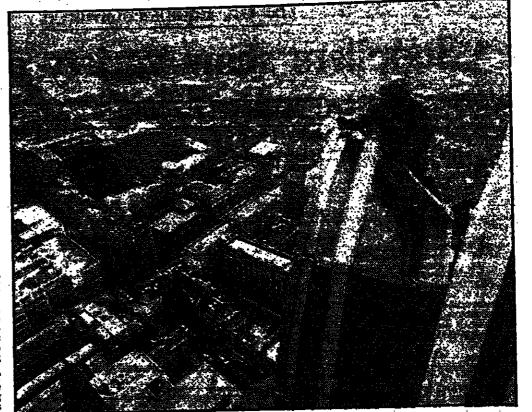
be disastrous.

Mercury had invested £130m in its challenge to BT by the end of the last financial year. It expects the figure to have risen to £200m by the end of this financial year.

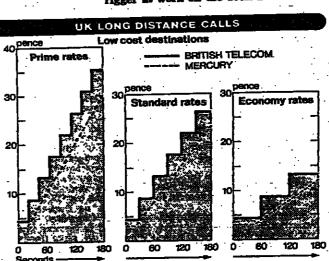
pleted its basic fibre optic net-work, linking London, Birming-ham, Leeds, Manchester and nam, Leeds, Manchester and Bristol. It is extending the net-work north from Manchester to Glasgow, across to Edinburgh, and back south via Newcastle to Leeds. Links to Aberdeen, Cardiff and the south coast of England are also planned.

Mercury is at present offering two main types of service: its 2100 service, where customers are directly connected to Mercury's network; and its 2200 service, where customers are indilinked to Mercury through interconnection with

service. It is therefore more the City, because of its fibre optic network, Mercury reckons its 2108 service is suitable for es with as few as 10



Mercury is starting to challenge BT for some of its most profitable business: Above, a BT rigger at work on the 300ft London Telecom Tower.



its directly connected 2100 service; from August, it offered local calls in London; and in September, it began signing up customers wanting to use its 2200 indirectly

Before Christmas, Mercury opes to have won its first residential customers. It is aiming its drive into the residential sector at three groups initially: the staff of its existing business customers; Cable and Wireless shareholders; and its own staff. Mercury says residential customers will have to be fairly heavy phone users (spending about 190 £100 a quarter) to save

evolution towards a full alternative network. from May, it was offering long-distance traffic on the plans being considered changes might indicate that by Mercury, though without any business is not flowing Mercury.

ecise timing yet, are to offer London and to set up call boxes

It is still too early to reach a judgment on how well Mercury is doing. A few companies have transferred custom to Mercury in a big way. One such is Boots, which says that more than £250,000 a year in long distance business will now go to Mercury. with less than £50,000 going to

However, most of Mercury's customers are probably trying out its services in a fairly limited way before deciding whether to give it more of their

outside lines.

Mercury has completed a number of steps so far in its evolution towards a full alternations.

Mercury's trunk immediate tariff cuts in network.

Other large hairs and alternations and a full alternations.

cury's way as fast as it had tariff changes were interrogative. We set them at a level that if Mercury had been doing extremely well, it would not have had to respond," says Mr Jain Vallance, BT's chief

However, Mercury says that its main problem at the moment is managing the speed of its growth. Its workforce, now standing at over 1.200, has increased by a half since March. Indeed, it s missed some installation dates, which it blames on its suppliers. In the medium term, Mercury

like BT will have to face major decisions in the political arena whichever party wins the next

Sir Eric Sharp, chairman of Cable and Wireless, has attacked Labour's proposal to integrate Mercury into BT, thus restoring BT's monopoly, as "a doctrinaire political gasture" which could cost a Labour administration more than film.

If Labour wins the next election, Mercury's best defence against such a move will be a large number of customers who would feel annoyed at losing its service: hence the key import ance to Mercury of spreading its customer base outside large companies, which were its natu-

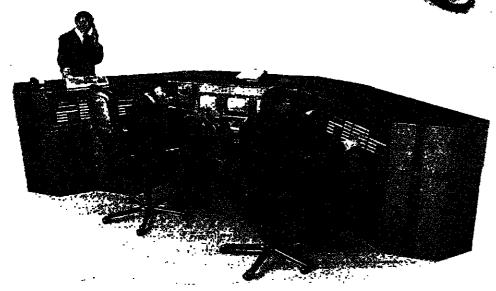
companies, which were its natural initial target.

However, by November 1989
Mercury will have to face a major political decision even if the Conservatives return to power or there is a hung Parliament. For that is the data when ment. For that is the date when the Government's commitment not to licence any other public telecommunication operator

David Thomas

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Eyeing the French market, too

Dutch Joint Ventures

FRENCH DALLIANCE over access to its chauvinistically telecommunications. market has managed to rile a host of countries in North America and Western Europe, not the ica and Western Europe, not the least of which is the Nether-lands. But American Telephone & Telegraph-Philips (APT), the US-Dutch telephony joint venture, remains confident of getting the plum 16 per cent slice of the French market after nearly two years of Parisian coquetting.

Selling public telephoneswitching systems in France, however, could be somewhat of a pyrthic victory for the joint

a pyrrhic victory for the joint venture between AT & T, the US venture between AT & T, the US telecommunications giant, and Philips, the Dutch electronics leader. The huge new investments required would mean higher debt and probably would delay APT's move into the black until 1989 or 1990, Mr Karel Hubee, executive vice-president of APT, explained during a recent interview.

recent interview.

APT is hoping to buy the publie-switching business of Com-pagnie Generale de Constructions Telephoniques (CGCT) but inons Telephoniques (CGCT) but in exchange has had to promise to set up big operations in France to become the second supplier to the French PTT.

supplier to the French PTT.

The US-Dutch joint venture, based in Hilversum, the Netherlands, was established in the middle of 1983 and has yet to post a profit although none was expected before 1987. Higherthan-expected start-up costs, however, will push back the break-even point to at least 1988 and later if the French deal and later if the French deal and later of the UK are believed to have made bids.

But the plot thickened when Bonn began pressuring Paris to sell CGCT's public-switch activities to Siemens because CGE was getting Standard Elektrik Lorenz (SEL) of West Germany and Plesses of the UK are believed to have made bids.

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But the plot thickened when Bonn began pressuring Paris to sell CGCT's public-switch activities to Siemens because CGE was getting Standard Elektrik and sell control of the UK are believed to have made bids.

The company has failed to meet that are being brought into the its goal of Fl lbn a year in turnover which it had hoped to reach in 1985.

Nevertheless AT & T and Philips are willing to help cover the "hundreds of millions of French francs" necessary to operate in France, Mr Hubee said, because that is part of the price for survival in the cut-throat competition of the telecommunications industry.

With the commercial and

Mr Hubee admitted that the American-Dutch venture was offering a hefty premium for the loss-making CGCT, perhaps twice its value, in exchange for a lucrative market worth between FFr 700m and FFr 800m a year. APT has agreed to pay FFr 117m for the public telephone-exchange operations of CGCT, which lost a total of FFr 250m last year and is in the process of being privatised.

To try to clinch the deal APT has agreed to produce the 5ESS/PRX digital telephone-exchange system in France, which will require as much money as CGCT itself. On top of that, AT & T has promised to buy \$200m worth of microwave equipment from a joint venture expected to place new orders can be expected in combination will win a big boost in two years when the PTT teleconomy infrastructure at a cost of F1 7bn over 20 years. APT already has snagged an initial contract worth F1 lbn for five digital telephone-exchange system in France, which will require as much that, AT & T has promised to buy \$200m worth of microwave equipment from a joint venture expected to place new orders to consist of APT and Compast.

and later if the French Gean goes through.

Mr Hubee predicts that losses being set up by CGE and Interpreted by CGE and Interpreted for 1986 will narrow from 1985's fill 92m and that sales will surpass the Fi 681m of last year. The company has failed to meet its goal of Fillon a year in turnover which it had hoped to reach in 1985.

Lorenz (SEL) of West Germany as part of a new consortium being set up by CGE and Interpreted for a new consortium to five predictions of a new consortium of a new consortium with CGE and Interpreted for the consortium with CGE, which is owned by the French Government.

of the telecommunications industry.

"If you want to be one of the five or six players left in the daily, what will APT do if the year 2020 . . . you must participate in the battle," he explained in his brightly lit office overpointed because it will be a lot looking Hilversum, the broad-

that, AT & T has promised to buy \$200m worth of microwave equipment from a joint venture to consist of APT and Compagnie Generale D'Electricite (CGE) and to be based in France.

French officials already initialled a contract with APT nearly a year ago but since have balked, figuring they might be able to get a better deal elsewhere. Rival European telecommunications companies were allowed to make offers and a handful did—some invited and others voluntarily. Siemens of West Germany, L. M. Ericsson of Sweden, Northern Telecomm of Canada, Italtel of Italy and Plessey of the UK are believed to have made bids.

But the plot thickened when Bonn began pressuring Paris to sell CGCT's public-switch activities to Siemens because CGE exchange of text, data, voice and

image information.

The Sopho-S System can link
as few as 20 connections, as
many as 20,000 in a network that includes a digital private auto-mated business exchange (PABX). In October a "Voice Mail Server" was introduced that serves as a sophisticated telephone-answering machine relaying messages only through

relaying messages only through use of a password for security and sorting messages by priority.

Sopho-Net is a wide-area network that allows a global exchange of data and text, for example, in banks' international foreign-exchange dealing operations. In the US, Philips has linked up with Harris Corporation to market Sopho-Net there and in Japan, the Dutch company has joined with Kyocera.

Kyocera. In coming years Philips plans

casting capital of the Nether-lands.

Hubee admits. "But we have two legs to stand on transmission technology optical memory and switching. For switching it equipment such as compact

munications industry is bound to be that for PABX's. Extremely high prices for PABX's in the Netherlands, due to only two suppliers, have kept the market lagging far behind most of Western Europe. Pent-up demand could burst forth if new competition lowers prices. Since the Dutch centre-right

government finally approved the PTT spinoff early this year, however, progress has been slow in deciding exactly where the dividing line will be between the monopoly and free market. At one point it was thought that all analogue peripheral equipment would be considered infrastricture and therefore under the NV PTT's monopoly while all digital equipment would be opened to competition. A clear decision has yet to emerge.
But decisions are urgently

needed over the NV PTT's func-tions so that it and soon-to-be competitors can plan new tariff structures. For example, Amsterdam's planned teleport,

Amsterdam's planned teleport, the high-technology telecommunications and data processing centre, has been thrown into turmoil for lack of information on tariffs from the PTT. Information-technology companies that will be providing the hardware and software for so-called "smart buildings" and video conferencing, among other facilities, must know what they will be charged by the PTT. If the PTT fails to set tariffs for the planned teleport soon for the planned teleport soon some critics speculate that the huge, Fl 3bn project would be

Laura Raun

二元14 4 4 4 Contraction (Virginia)

\$300 \$400 60.5

France

sember : 15%

terrer : Mer t for a

rever. POLICE TO

Battle on with US and German interests

THE FRENCH telecommunications industry is at the centre of Moreover, CGE and ITT recently an international battle whose decided to extend the deal to outcome is likely to have major repercussions for world telecommunications as a whole.

Moreover, this battle which

For CGE, the venture is seen

essentially involves the opening as a way of keeping the French of 16 per cent of the French
public telephone switch market
to an international manufacturer to compete against
France's Alcatel group controlled by the nationalised Compagmin Control of the French
munications league and ensuring its future in this business.
But the deal has also provoked a
reaction in West Germany
which has backed Siemens bid
for COUT avening this would. nie Genérale d'Eléctricité for CGCT arguing this would (CGE) is only one if dominant reciprocate CGE's major footaspect of the dramatic times the hold in West Germany through aspect of the dramatic times the hold in West Germany through world of French telecommunications is now living.

In turn, this has provoked a munications is now living.
The battle involves the future

of Compagnie Générale de Con-structions Téléphoniques (CGCT), France's oldest but troubled telecommunications equipment manufacturer they could make life difficult or formerly owned by ITT of the easy for Siemens on the US mar-US before its nationalisation by the Socialists in 1982.

The new conservative govern-ment is now privatising CGCT and reviewing bids for control of the group by international companies such as AT&T, Sie-

mens and Ericsson.
These companies, backed by their respective governments—the US and German administrations have been lobbying the Paris authorities fiercely are all seeking to gain control of the troubled French group because it will give them a 16 per cent foothold on the French public telephone exchange market and make them the second supplier to the Direction Générale des Télécommunications (DGT), the telecommunications

the telecommunications authority.

Two years ago it would have eemed inconceivable to think that the French administration would open up this key domeswould open up this key domes-tic market to a major inter-national foreign group. But the restructuring of the French telecommunications industry under the former Socialist administration opened the way for the entry of a foreign sup-

The merger of the telecommunications assets of CGE and Thomson, the other major nationalised electronics group, removed one of the DGT's two French suppliers since Thomson was not only a second source of CGE's Alcatel subsidiary but also provided the

by CGCT.
The stakes in the CGCT contest are extremely high for all parties concerned. Moreover, the battle for this 16 per cent share of the domestic will be a concerned to the domestic will be a concerned to the communications. share of the domestic public lindeed, both Mr Alain Made-telecommunications market lin, the Industry Minister, and coincides and indeed is intrin- Mr Gerard Longuet, the post and mission called Commission

involving CGE and ITT.

The French group, which French libers hopes to be privatised in the second half of next year is cursecond half of next year, is currently completing the setting up of a joint venture with ITT which will create the second with the second that the second will be setting up announced plans to open up to private competition the market for advanced value added teleor a joint venture with ITT which will create the second largest telecommunications grouping in the world after AT&T.

The new joint venture will be controlled by CGE and will group together ITT's telecom-munications assets with those

reaction from the American side which has been lobbying in favour of AT&T taking over CGCT for the past two years. The Americans have suggested that of the CGCT affair.

A final decision on CGCT is now expected to be taken by the French Government around Christmas, although many observers doubt whether this timetable will be kept. They fear the decision will again be delayed into the new year. The problem for the French administration is a major one. It is not so much the technical or economic aspects of the CGCT deal which worry the Govern-ment, but the political repercus-

"It's a difficult dilemma for the Government. Whatever their decision it is bound to disappoint and anger someone and leave a sour taste behind," remarked the head of a major French industrial group recently.

If the attention of the French telecommunications industry has been focused on the two big "affairs," as the French call them, concerning CGCT and the CGE-ITT joint venture, it has also been increasingly turning to a series of other evolutions taking place in this key French sector.

If industrial restructuring globalisation of markets, the gradual breakdown of barriers even in the highly protected telecommunications environment has led to the current manoeuvres around CGCT and CGE licence for the equipment built IFF, the arrival of the new right wing government has also accelerated the drive towards

sically linked with another telecommunications minister, major telecommunications deal involving CGE and ITT.

The French group, which Trench liberalism and free mar. "sages."

communications services in France ranging from videotex to videophones and private business communications networks.

Already, important associa-ons between major inter-



In West Germany, telecommunication dish aerials at a satellite tracking station overlook a church and cattle at a quiet Bavarian village. The tracking station was involved in monitoring signals from Spacelah 0-1, the first satellite mission paid for and managed by West Germany, for relay to control centre at Oberpfaffenhofen. The German telecommunications industry has recently become the centre of much political argument. Equipment producers, too, are under pressure with foreign competitors pressing for a way into the German market.

national groups have been made to gain a share of this new deregulated market in France. IBM and the Paribas banking group have linked-up to offer such new services while Olivetti and the French Suez financial group have also teamed together for the same purpose. However, the government despite its free market high rhetoric is adopting a cautious and

gradual approach to deregula-Although the movement towards deregulation in the longer term appears inevitable— the opening up of the domestic public switch market through CGCT to a foreign supplier is an eloquent sign of how things are changing and moving in France. The Government is none the

less concerned to set up a structure to regulate competition in the French telecommunications ector before eventually opening up the existing state monopoly to outside carriers as the US and the UK have done. This is likely to take some time and may not occur before the presidential elections due

But the Government has now set in place a new regulatory body to act as an independent watchdog agency for broadcas-ting and telecommunications modelled somewhat on the US et Libertés (CNCL) has just chosen its 13 representatives or

Its task will be complex and delicate, for together with tele-phone deregulation the Chirac Government has launched an ambitious programme to accelerate broadcasting deregulation in France including the privatisation of France's oldest and largest state television net-work, TF-1.

David Marsh

West Germany

Rivalry with US over CGCT

munications industry with a vengeance. New technologies have opened up new opportunities and now Bonn squares up to Washington in a dispute over who should buy something in

Some of the country's grand old industrial giants, friends for decades, start to claw at each other. An imperial monopoly, the Bundespost, begins to disintegrate Even the customer probably more ignored in West Germany than in other developed capitalist economy— knows that "something is up." The race between Siemens

and American Telephone & Telegraph (AT&T) to take over French telephone company CGCT has thrust Bonn at an industry in which it has never taken much interest. Most West German governments have simply delegated communication, and the politics that surround it, to the Bundespost and whoever happens to be Posts Minister. But with the US Government now actively pressing AT&T's case in France, and Bonn doing the same for Siemens the new politicisation of the industry is

scaling heights undreamed. Mr Christian Schwarz-Schilling, the present and rather colourful Posts Minister, has become just one of many players in Bonn as the Economics Ministry, the Foreign Ministry and even Chancellor Helmut Kohl is drawn into CGCT's future.

new media when he was in ment. opposition Today, the band of At t politicians familiar with broad sion has been hard at work on is growing rapidly.

monopoly over almost every conceivable form of electronic communication.

There was the time, about two years ago, when he proudly announced the arrival on the market of West Germany's first cordless telephones - late, he regretted, because he and his Ministry had been determined to get the technology absolutely

Within days, conversations on these telephones were being picked up on transistor radios all over the country and the Minister had to do some rapid explaining.

But his most eye-catching ploy has been to spend roughly DM 3bn a year wiring up the country for cable television. No-one, or hardy anyone, watches cable here not least because Mr Schwarz-Schilling is constantly having to revise cable connec-tion charges upwards to pay for the cable programme.

What he has done, though, is German subsidiary, SEL. entities unless they have to provide a network, or the beginnings of one, which if not of France. Both Bosch and the Mr Schwarz-Schilling won his used by new television com-

THE LATE 20th century has job because he was, really, the panies is beginning to excite have been approached to join in caught up with West Germany's only member of Mr Kohl's party great activity among producers on the ITT/CGE venture but have to show much interest in the control of telecommunications equiparties.

At the same time, a commisbands, coaxial cables and digi- ways to part the Bundespost tal public telephone switching from its overall monopoly and is likely to suggest next year that The fight to buy CGCT will Mr Schwarz-Schilling's jurisdic-contribute to this but it has tion stops at the entrance to been Mr Schwarz-Schilling, not buildings that do not belong to always by virtue of his succes-ses, who has drawn attention to phones, computers, modems, the Bundespost and its teletext receivers, facsimile machines could be bought and installed without reference to the Bundespost

> It may not get quite that far-Germany does not have a good record in deregulation—but the effect on equipment producers has been dramatic.

> Bundespost on deregulation. In Germany itself the produc-

ers are in a state of gentle tur-moil. AEG now belongs to Daim-ler Benz, which is likely to embolden it after its financial troubles earlier in the decade. Bosch, alarmed at one of its biggest electronic car compo-nent customers, Daimler, buying an electronics company (AEG) is trying to develop its telecoms side and tried to buy, so it is rumoured, ITT's West

computer producer Nixdori

stake was too small.

Nixdorf though, has begun to rattle Siemens with its own tele-coms products, notably PABX systems already designed to convert to full digital switching as it is introduced by the Bun-despost over the next 10 years.

Siemens, struggling to find growth markets but having trouble winning switching equip-ment orders in the US and being frustrated in France, is now promising to start making electronic fuel injection systems in competition with Bosch.

This merry-go-round is a long way from slowing down. On the corporate side, acquisitions and mergers are likely but the noise already generated has stirred the country's strict cartel authorities and it is going to be US producers, aware that now is the time to push Bonn on deregulation, have been doing difficult for German producers so through their Government for to survive and grow merely by buying market share. That vate faster than the foreign com-petition that is pressing for a way into the German market, or innovate slowly and be pro-

tected. The latter is becoming an increasingly dubious option.
Pressure in the US Congress to retaliate against telecoms protectionism in Europe is growing and many major West German telecoms companies admit that they stand little chance of surviving as independent entities unless they have access

Peter Bruce



Italy

Big merger planned

developments in Europe's changing telecommunications indusging telecommunications indus-try have been elsewhere this year, the Italians have been quietly laying the foundation for a major rationalisation of their own fragmented industry. The plan calls for an unusual merger of Italtel, the state-owned telecommunications equipment maker, and Telettra, the smaller telecommunica-tions company which is owned by the Fiat group.

The merger in many ways makes sense: it would put Italtel, which is owned by the IRI-Stet state holding group, under the same roof as Telettra. Italtel's turnover last year was L1,228bn, while Telettra's was L497bn The two companies, Italas/on. The two companies, ita-ly's only home-grown telecom-munications equipment manu-facturers of serious scale, could well complement each other's activities.

Italtel draws much of its turnover from switching, while Felettra is one of Europe's leadreletiva is one of Europe's read-ing producers of digital trans-mission equipment. Italtel derives more than half of its turnover from SIP, the state telephone company, and exports amount to only 7 per cent of total revenues.

Telettra, on the other hand, is better structured for competition in the European market, and derives roughly half of its feasibility study has been underway to evaluate the prosturnover from exports.

Both Italtel and Telettra are profitable, the former having emerged recently from years of losses under the leadership of Mrs Marisa Bellisario, who cut Italtel's staff by 10,000 between 1981 and last year. Last year Italiel made a L42.1bn profit, while Telettra earned L20bn.



Testing an Italtel digital exchange

ing, research and development, and production between the two companies and would also represent an attempt to create a unit large enough to advance italian interests on the competition of the large enough to the competition of the large enough to the competition of the large enough to tive global telecommunications

For most of this year a pects for a full or partial merger. A company called Telit has been supervising the study. Telit is 48 per cent owned by IRI-Stet, 48 per cent by Fiat and 4 per cent by Mediobanca. This could also become the shareholding structure of the merged

Italtel made a L4210n profit, while Telettra earned L20bn.

The merger would be designed to co-ordinate market-

accountants Arthur Andersen and Price Waterhouse, should be completed by the end of this

It is already becoming clear. however, that at the centre of the negotiations, aside from industrial and commercial con-siderations, will be the issue of how much Fiat might be expected to contribute to the venture. This is because the evaluation are expected to show a substantial difference between the net value of Italtel.

and Telettra. Italtel and Telettra already titlei and Teletira already collaborate in one area, the building of digital exchanges. In 1982 a three-way accord was reached among Italtel, America's GTE and Teletira to develop new products. The result has been the Linea UT switchboard exchange (developed by Italtel) and the switchboard exchange (developed by Italtel) and the GTD-5 (developed by GTE).

Linea UT sales represent around one-sixth of Italtel

group turnover and at the end of this past summer over 220 Linea UT switches (representing 450,000 lines) were in operation in the Italian telephone

network. The GTE-Italiei-Telettra 1982 agreement could be affected, however, by the recent agreement reached between West Germany's Siemens group and GTE, under which Siemens is to take 80 per cent of a new inter-

national venture. Even if Italy does succeed in overcoming the hurdles (both financial and political) on the way to a Telettra-Italtel merger. analysts say the Italian industry will still be comparatively small on the world stage. And while most countries are busy deregnlating their systems, Italy is farther behind, as it is still consolidating its fragmented sector.

Alan Friedman

Cardiovascular imaging system.

Anything that helps diagnose heart disease early enough to prevent serious illness, is welcome. For heart specialists and patients alike

BICOR can do this and more, because it's a major advance in diagnostic imaging. Developed by Siemens, this new system can look at the heart from a greater variety of angles than ever before. What's more, images are greatly improved in quality, thanks to a combination of high resolution image intensifiers and digital television

But there's more to BICOR than diagnosis. As well as speeding up investigations, actual treatment can also be carried out in the X-Ray Department. All in all, patients' stay in hospital is dramatically reduced, and in some cases, open heart surgery can be avoided.

Siemens is one of the world's largest and most innovative electrical and electronics companies. Here in the UK we employ around 3000 people in Research & Development, Manufacturing, Engineering, Service and other customer related activities.

Siemens technology embraces computer and business communication systems, telecommunication networks, electronic components, power engineering, industrial automation and medical engineering.

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World Telecommunications 8

Japanese Investment

Surge of fresh interest

TELECOMMUNICATIONS the flavour of the moment in Japan, especially among the ma-jor soga shosha (trading houses). Nippon Telegraph & Tele-phone (NTT) shares were offered to the public for the first time last month at a cool Y1.2m each. The Government plans to each. The Government plans to offer 1.65m of its shares during the remainder of fiscal 1986, and two-thirds of its portfolio within the next four years. Soga shosha stand to be the main beneficiaries of NTT's pri-vatisation; and, on the back of felling commodity prices and a

falling commodity prices, and a strong yen, they have been rapidly expanding into the tele-communications business.

The top six have collectively invested Y260bn in (in the widest sense) telecommunica-tions. Mitsui, the second biggest trading house, has set up a new group, the Information Business and Electronics Group, to hand-le its telecom related business. The big battle now is for the

lucrative international market. The Ministry of Posts and Telecommunications (MPT), which is regulating Japan's telecoms deregulation, has ruled that the sole international carrier. Kokusai Denshin Denwa (KDD) will only have one competitor. There are currently two wouldbe competitors.

C. Itoh, Japan's third biggest trading house, has joined forces with Britain's Cable & Wireless to lead Kokusai Digital Tsushin Kikaku (KDTK) a consortium which hopes to win the inter-

C. Itoh and C & W both have a 20 per cent stake in KDTK. Other top investors are Merril Lynch, Toyota, Pacific Telesis, NEC. Fujitsu, Bank of Japan, and Dai Ichi Kango Bank. General Motors, which had



Major suppliers are jostling for shares in Japan's \$1bn a year equipment market.

KDTK is battling it out with International Telecom Japan (TD), a consortium of the five other big trading houses, Mitsuother big trading houses, Mitsubishi (Japan's biggest) 18 per cent; Mitsui 18 per cent; Sumitomo 18 per cent; Marubeni 12 per per cent; and Nissho Iwai 12 per cent. The Bank of Tokyo and the electronics group, Matsushita, have a 4 per cent and 18 per cent stake respectively.

The C. Itoh group, encouraged by C. Itoh 40 per cent and the per cent

MPT will award the licence early next year. And the pre-sence of C & W, as a foreign company, ensures the decision

be a political one.

KDTK is the more expansive option. C & W plans to lay the longest ever optical fibre link: 5,000 miles of undersea cable linking California to Japan. It and Pacific Telecom will handle the American end, while KDTK cent, Marubeni, 22 per cent, and

planned to hold 20 per cent of will be responsible for the the equity, dropped out. Japanese side.

by 1990. C&W is also involved in an optical fibre link between

The C. Itoh group, encouraged by MPT, unsuccessfully tried to led by C. Itoh, 40 per cent, and woo ITJ into a merger in Mitsui, which has an 18 per cent october. Communications, a subsidiary of GM Hughes Electronics, has a 20 per cent stake.

> The other satellite group is Space Communications, owned by Mitsubishi Trading 75 per cent and Mitsubishi Electric 25

Sony, 20 per cent, was religied a licence by MPT, on the grounds that two main commercial satellites were sufficient.

The big six are equity participants in NTT International (NTTI). NTT holds half the equity with C. Itoh and Mitsubishi the next largest participants. Sogo shosha are also heavily involved in value added networks (VANs). Maruheni is by far the leader in VAN business, and has international links with and has international links with America's Tymshare and Tym-net. It belongs to the Fuyo group, as do Hitachi and Oki,

both operators of large-scale VAN services. Nissho Iwai is an equal partner with Fujitsu in an inter-national VAN service, and is marketing agent for Sweden's Mailstar satellite service. Mitsu-Japanese side.

Dishi is involved with a joint
The link should be operating venture with IBM Japan; and
by 1990. C&W is also involved in Sumitomo with Intec and GTE.

The frading houses are active in the new domestic carriers—NTT's rivals. Mitsui, Sumitomo and Mitsubishi each have a 1.1 per cent stake in Nippon Tele-com, which is 33.4 per cent owned by the soon-to-be-priva-tised Japan National Railways. Mitsubishi has a 2.5 per cent stake in Dani Denden, which is led by Kyocera (28 per cent), the world's largest manufacturer of

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Difference that

IC ceramic packages.
Teleway Japan Corp, which came into operation this month, is invested in by Mitsubishi, 3 per cent; Mitsui. 2 per cent; and Sumitomo, C. Itoh, Marubeni and Nissho Iwai all with 1.8 per cent. The group is led by Toyota and Japan Public Highways. Both Mitsubishi and Mitsui own 25 per cent each of Tokyo

Telecommunications Network.

The other half is owned by Tokyo

Lisa Martineau

Japanese Equipment Suppliers

The battle hots up

pon Telegraph and Telephone (NTI) accounts for about 33 per cent of the market. Last year it bought Y633bn worth from "the Family"—NTT's name for its

The Family has 10 members.
All are deeply embedded in
Japan's telecommunication
market as a whole and all are poised to pick up as much of the new deregulated business as

they can.

NEC is the biggest supplier, taking 19 per cent of NTT busisecond-largest producer of semiconductors in the world and its computer technology is licensed by Honeywell of the

NEC has a large-scale VAN operation called C and C VAN.

It hooks into the large-scale VAN market through its PC net-work, C and C NET, NEC Soft-ware, and its teleconferencing service. It is also involved in an international VAN with Geisco. NTT's second top supplier last year was Fujitsu, Japan's largest computer maker, which earned Y77bn from NTT.

Fenics is Fujitsu's company in the large-scale VAN market. NIF is its PC operation, in which trading company Nissho Iwai has a stake. Fujitsu has an electronic database service and software operation in Fujitsu

Hitachi and Oki took Y40bn
NTT business each last year.
Both companies are part of the
Fuyo Group and the large-scale
VAN operators Hinet and
Okinet Oki is the leading
Japanese manufacturer of communications equipment and
produces mobile phones in the
US.

The other NTT suppliers (and what the NTT business is worth) are: Iwatsu Electric, Y22bn; Sumitomo Electric, Y22bn; Fujikura,Y17bn; Furukawa Electric, Y17bn; Nitsuko, Y15bn and Apritsu V14bn.

The other NTT suppliers (and what the NTT business is worth) partnership with the Japanesse, are making a showing in the VAN markets. NI and C is a large-scale VAN owned by NTT and IBM Japan is also teamed up with Mitsubishi and Anritsu, Y14bn.

and Anritsu, Y14bn.

Foreign companies find it difficult to break into the NTT Family. But NTT is to buy (over the next seven years) \$250m back to the 1970s when Mitsubshi-IBM link goes worth of digital switches from Northern Telecom of Canada

worth of digital switches from Northern Telecom of Canada. Analysts say the equipment is being used within NTT rather than for outside customers, however. NTT is apparently worried about Northern telecom's ability to provide back-up services and does not want to expose its customers, The government says that telecommunications imports during the last fiscal year, from the US alone, increased by 52 per cent, but this is mainly accounted for by the satellite deals.

The Hughes Communications bishi Electric failed to develop a mainframe computer capacity. The joint VAN venture was formed when it was thought that foreign companies would be allowed only small share holdings in telecom VAN services. NTT. Dain subshi is too good a source of potential business for IBM to want to go it alone.

Mitsui and AT and T have a "seven The deals."

The Joint VAN venture was formed when it was thought that foreign companies can operate their own VAN operations—Mitsuit and AT and T have a "seven The joint arrangements is that Mitsuit and AT and T local" in Tolement to the connection of the conne

IN JAPAN the telecommunications equipment market is reckoned by analysts to be worth around \$1bn.

The recently deregulated Nipang Telegraph and Telephone.

WIT hydrogeness are the company tions Satellite (Jc Sat) with trading houses C.Itoh (40 per cent) ing houses C.Itoh (40 per cent) and Mitsui (30 per cent), has signed a \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as \$300m contract with Jc Sat, which is signed as

The other satellite company.

Space Communications Co (SCC) (owned by Mitsubishi Trading 75 per cent and Missu-bishi Electric 25 per cent), has bought a \$100m satellite pack-age from Ford Aerospace.

bishi Electric failed to develop a mainframe computer capacity. • (JNR)—led Japan Telecom. The

The Hughes Communications sui can offer AT and T local of the US, which is a 30 per cent engineering support and a owner of Japan Communications suit at all affiliations of Japan Communications suit at all affiliations of the US, which is a 30 per cent engineering support and a customer base through its affiliations.

ates Nippon Univac and Toshiba. Toshiba sells AT and T PBX's and minicomputer range here for example. Nippon Univacengineering know-how is behind Mitsui's videotex service, which uses AT and T's

software.
But the partnership is not entirely happy. Mitsui was less than pleased when the Indust-rial Bank of Japan assumed a leadership role in AT and T's 50
per cent owned VAN company
ENS while Mitsui has been a
long-standing sales agent for
Northern Telecom—AT and T's
major rival in the digital switch-

Although NTT was dereg-ulated last April the live competition was not up and running until August.

The first to come on line was company is now leasing lines connecting corporate customers in Tokyo, Nagoya and Osaka at rates 24 per cent lower than

Daini Denden, Kyocera, is the world's largest manufacturer of IC. It bought switches from the Digital Switch Corporation of the US for what the company describes as "several million yen"

The other two NTT rivals,

Teleway Japan and Tokyo Telecommunications Network, came up this month.

Lisa Martineau

Scandinavia

Big demand for mobile phones

IN SCANDINAVIA, it is not un-usual for business contacts to have as many as four telephone numbers to give out-office, home, weekend cottage, and (ever increasingly) a mobile

telephone number.
The mobile telephone has surpassed all expectations in popularity—as one Swede put it we spend a lot of time in our boats, and of course it's convenient to take a phone with you."

Televerket, the Swedish telecommunications administra-tion, estimates that by 1990, onein-ten cars will contain a mobile

The main Scandinavian sup-plier of mobile handsets is Nokia-Mobira, part of the Finn-Ish Nokia industrial group. It is the leading manufacturer of handsets in Europe, has 27 per cent of the Nordic market, and claims to have over 15 per cent of the world market for cellular telephones.

communications and electro-nics group, supplies switching systems based on its AXE sysswitches from one radio transmitter to another so that calls are not interrupted as the subscriber moves from cell to cell.

Eriesson ciaims to have 45 per control the world market in cent of the world market in cellular subscribers—or 458,000

The second problem is that

growth in the US market has not matched expectations, which Mr. Jonsson blames partly on the fact that in the States, there is not necessarily any automatic "roaming"—ie when the set moves from city to city, it may not automatically switch to a new base station if this belongs

of areas into mini-cellular systems, and when the 900 megahertz frequency comes into use at the beginning of 1987, in addition to the existing 450 megahertz frequency.

cent of the world market in cellular subscribers—or 488,000 subscribers.

Nearly 100,000 of these are in Sweden, and about 80,000 in Norway, 54,000 in Denmark and 44,000 in Finland, according to their September 1986 figures.

The Nordic mobile telephone system in MT), which was shouts and whispers in future.

Combined with the use of companies of the use of companies and expounders, as fraction which was more than a year behind in its conversion ment in reception, which is subject to fluctuations especially when the receiver is near the edge of the base station range, ordered its modernisation. However, issteners will be able to pick up shouts and whispers in future.

cast for 1995.

In the meantime, NokiaMobira says it is now subjected and Siemens of West Germany to handset quotas in parts of want to be the third equipment scandinavia because of overcapacity in these areas.

"Overcapacity is a very big problem," says Mr. Kenneth Jonsson Nokia-Mobira's export manager for the NMT area.

"Overcapacity is a very big Telecom.

Nynex, the Bell regional hollonsson Nokia-Mobira's export ding company that—combined with New York telephone and New England telephone.

New England telephone— serves 13 per cent of the US population, signed a letter of intent with Ericsson's US sub-sidiary for an AXE switch which will be tested in the Manhattan network.

If the tests are successful, the deal could result in sales for Ericsson by 1988.

new base station if this belongs to a different company. Within Scandinavia, automatic roaming is the rule.

The capacity problem could be solved with the subdivision of areas into mini-cellular systems, and when the 900 megahertz frequency comes megahertz frequency comes it al offices and centrally tral offices and centrally iocated data bases.

in addition to the existing 450 megahertz frequency.

The 900 megahertz frequency combined with the use of compounders and expounders, should also mean an improvession to digital lines.

formed by the telephone administrations in the Nordic countries in 1981 (but only joined by Leeland in mid-1985), has already reached the subscriber elevel that was originally forecast for 1995.

In the meantime, Nokiand Mobira says it is now subjected in marks of the Norwegian public betwork is more interested in system to meet Norwegian specifications.

Ericsson's order for the Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is more interested in system to meet Norwegian specifications.

Ericsson's order for the Norwegian specifications.

Ericsson's order for the Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is more interested in system to meet Norwegian specifications.

Ericsson's order for the Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, Ericsson's Norwegian public betwork is worth Skr 90m. EB Telecom, ERICSSON Skr 90m. EB Oslo, Stavanger and Bergen. There is also a contract option for an additional 20,000 lines for delivery in 1987.
The Swedish Telephone

Administration has continued with its installation of AXE digital switches. It is now concentrating on non-voice data centrating on non-voice data' and text communication and plans to put more than 50 per cent of its investment in non-telephone services over the next three years.

The high growth in data and text communication requires a better network—which was why Televerket started its initial investment in digital switches and pabxs.

Pabxs.

Comvik, a Swedish mobile telephone systems supplier with 13 per cent of the market in

with 13 per cent of the market in Sweden, wants to offer a satellite business-to-business service between the states and Sweden using intersat.

The aim is to provide businesses with more efficient telephoning services, instant contact with subsidiaries, competition on pricing, and maybe an encrypting service so that conversations cannot be overheard. The plan to go ahead is statily waiting for Government permission. Permission.

Sara Webb



It's called System X

System X

Working together to lead the world-

Two acknowledged leaders in the communications

Unusual perhaps, but quite logical, we assure you.

GEC and Plessey are, after all, both in the business

of communications, so it was natural that we should

combine our resources, talents and knowledge to

develop one of the world's most advanced

communications systems — System X.

industry working together?

Electric

Company, p.l.c.

Together we've created System X a modular digital

communications system which handles both speech

and digital services with equal ease. Being modular,

System X can be adopted progressively, without

interrupting existing services; it can be incorporated

into analogue or digital networks - and it is so designed as to satisfy the needs of exchange networks

well into the next century - thus is innovation born of

***VIII**

FRANCE: A LEADING ROLE FOR ISDN IMPLEMENTATION

Long before other countries, network digitisation was introduced by French Telecom and today over 50% of the French network is digitised.

A wide range of ISDN services are already provided by French Telecom (TRANSFIX-ISDN, TRANSDYN-ISDN, TRANSCOM-ISDN). Connection of the first 144Kbit/s (2B + D) subscribers will take place before the end of 1987.

By 1990 Primary and Basic access will be available throughout the

<u> </u>	Digitised facilities (in percent)		
	<u>1986</u>	1990	
ocal circuits	70	90	
runk circuits .ocal exchanges runk exchanges	60 50	80	
ocal exchanges		75	
frunk exchanges	58	76	



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• EUROPE'S first Scitex telecommunications link for digi-tal transmission of full-colour picture data has gone into operation at a London photographic processing centre for printers and publishers.

The system (above) at F. E. Burman links Scitex electronic page composition equip-ment with other equipment users in the US and Australia. Burman is already using the system to promote a colour news picture service to UK publishers.

publishers.
The Scitex telecommunications package offers a wide range of lines and speeds, including land and satellite

links for transmitting news pictures in colour. Burman's transmissions so far have all used standard telephone line

The company is able to give editors a preview selection of coloar news pictures in rough's low-resolution form before sending a final, high-resolution transmission.

e Below: in Japan a sales girl displays a range of nine new-style telephone handsets from the Nippon Telegraph and Telephone (NTT) which has around a third of Japan's \$1bn telecommunications equipInternational collaboration

Joint ventures in a global market

COLLABORATION HAS rarely been more popular in industry than it is today. Cross-frontier joint ventures, minority stakes in companies with strong local market positions, co-operative research and development proects, combined investment in heavy capital programmes, gov-ernment-sponsored sectoral schemes—the list is long, grow-ing, and particularly extensive in the telecommunications

industry. Yet over the years, the record of collaborative enterprises has not been particularly inspiring. Industry is littered with examples of projects that have come apart under the pressure

of events. Why then are the telecommunication companies today finding themselves pushed so inexorably into the embrace of partners with whom, in an ideal orld, they would probably prefer not to be involved?

Part of the reason is the sudden, but irreversible globalisa-tion of world markets. In the public switch market, for inst-ance, most of the large telecommunication equipment manu-facturers who are now rushing into alliances enjoyed the security of relatively friendly home markets until the development of the present range of

digital equipment.

These markets, they are now finding, are hardly sufficient to support the cost of continuously enhancing the efficiency of the present range of products, and certainly will not bear alone the expenditure on the next genera-

Market pressures of this kind ticularly West Germany through lie behind several of the collaborative attempts of the . In the UK, the attempted recent past:

AT & T, the US long distance

AT & T the US long distance

and exchange equipment manufacturer, has linked up with Phitions subsidiaries, both of lips of Holland to try and break which are working on the System of the Function of their telecommunication of their telecommunication of the try and break which are working on the System of the Function of the try and present the function of the try and the function of the try and the substitute the Function of the substitute the substitute the function of the substitute the s

into the European market. The tem X exchange; they are now joint venture is now trying to talking of some form of co-take over CGCT in France.

• CGCT, which has 16 per cent of Another area of collaboration the French market, is also being is arising out of the convergence pursued by other telecom- of telecommunications and munications companies, not-computer technology.

market in the US.

Slemens has had to abandon on computers as isolated gobits plans to link up with the switch manufacturing subsidi
The computer industry is shifary of GTE, the large independent US telephone operating company, but many analysts expect talks to resume at some point.

or CGE, the French electrical group, is planning to take over the switch-making subsidiary of panies are beginning to look ITT, the US-based conglomerate, in a deal which will allow ITT to maintain a 37 per cent of networking, and are anxious to the same the form TIT, the US-based conglomer-ate, in a deal which will allow They, too, see the possibilities ITT to maintain a 37 per cent of networking, and are anxious stake in the business. This will to secure the business that flows give CGE a potential stake in to their basic communications several European markets, par-operations if they can offer comseveral European markets, par- operations if they can offer com-

ably Siemens of West Germany, industries which grew up inde-which is trying at the same time pendently are now coming to break into AT & Ts home together because users no longer want to treat data processed

> The computer industry is shifting towards the concept of networking—tying together a variety of departmental machines, from personal computers to printers and files, in a system in

have been AT&T, which, through an agreement with Olivetti of Italy now has access to a range of personal computers. A recent decision by the US regulatory authorities has allowed AT&T to drop artificial barriers it had been forced to construct between its telephone and computer activities. It will. therefore be freer to move into

tion's resources behind it. computer giant, which has links beyond the point where many with two telecommunications companies can stay in contencompanies—MCI, the long-dist-tion. ance carrier, and Rolm, the At the corporate level, this manufacturer of private has given rise to projects such

the networking business with the full strength of the corpora-

exchanges, Third, companies are forming alliances as a swift way of filling alliances as a swift way of filling in gaps in their own products and services. British Telecom, for example took over Mitel in Canada to give it an entree to the customer premises could be suffered by the customer products as the common, cross-frontier design work on telephone exchange equipment launched jointly by Plessey (UK), Siemens (West Germany) CGE (France), and Italie (Italy).

of the UK, historically an operator with lines linked to British and RACE programmes. Esprit, overseas interests, has now for example, which is aimed at

plete packages to a customer. signed a series of deals to create supporting a competitive Euro-Among the main companies its "global highway" concept of pean information technology moving into this type of venture a fibre optic cable network spanning the world from western Europe to Japan.

A third kind of collaboration, increasingly popular in recent years, is growing up in research and development. Here, the idea is to develop technological competence at a reduced price while retaining the independence and individual identity of

the companies concerned.

This form of co-operation has arisen out of the recognition that the cost of remaining at the Another example is IBM, the forefront of technology is rising

as the common, cross-frontier

But much more impact has the customer premises equipment market.
Similarly, Cable and Wireless

But much more impact has been made in this area from Government-backed initiatives

industry, is working on office systems and communications; RACE (R and D for Advanced Communications Technologies for Europe), is examining the technological base for initiatives on the EEC-wide broad-band communications network.

The challenge facing all of these co-operative projects is to show that they can deliver use-ful solutions to problems which may require some extremely difficult commercial and political decisions.

Bringing companies together usually means that there are possibilities of capacity reduction, but it is not easy to cut jobs when the decision raises questions of national industrial competence.

Similarly, alliances aimed at filling out product lines tend to be a prey to arguments between the partners over financial con-—and research and develop ment joint ventures raise tricky problems of integrating corpo-rate cultures. The new wave of collaboration may have some rough riding ahead of it.

Terry Dodsworth



Call of the Orient

China's vast potential

telecommunications
tion—Expo Comm 86—held in
Beijing last month, attracted
many of the world's foremost
telecommunications suppliers,
eager to secure a foothold in
what is potentially the world's
largest telecommunications
market.
China's telephone network is
poorly developed, with an averloss and export credit from
age penetration of only five telethese deficiencies, likely to have to soldier on with
antiquated equipment for some
maniquated equipment for some
mine to come.
The co-ordination of China's
network into a coherent national
infrastructure is likely to be
ment in which a procession of
the world's telecommunications
companies, encouraged by soft
industry. At present the country
is divided into seven regions
to meet these deficiencies,
importance. The rural areas are
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the turn of the century. Since 1978, when Deng Xiaoping effectively gained control of the party machine, a series of major reforms have been transforming the country.

Subscribing to the view that improved telecommunications are often the key to economic growth, particular attention is being paid to upgrading the telephone network. The telecommunications infrastructure has recently been confirmed as one of the top priorities in China's with the sale of digital exchanges and transmission equipment from Alcatel-Thomson; Sweden with its digital exchanges and transmission entransmission exchanges and transmission entransmission to the sale of digital exchanges and transmission exchanges from Ericsson and the United States in collaboration through AT&T and Philips. The UK has had limited success, through GEC's sales of price transmission equipment through AT&T and Philips. The UK has had limited success, through GEC's sales of price transmission equipment through AT&T and Philips. The UK has had limited success, through GEC's sales of price transmission equipment through AT&T and Philips. The UK has had limited success, through GEC's sales of price transmission equipment through AT&T and Philips. of the top priorities in China's Seventh Five Year Plan (1988-90) and US\$30bn are to be invested in modernising it.

in modernising it.

Indeed, in a recent statement
Yang Taileng, the Minister of
Posts and Telecommunications,
no doubt with a touch of the
Departmental competitiveness
not unknown among Western
Ministers seeking a slice of a
central budget, declared that
communications growth should
be faster than that of the econowy as a whole

nomy as a whole. A generous assessment by most international observers is that China's telecommunications network is some 20 years behind most other industrialised nations, technologically speak ing. Its network uses manual switching equipment and auto-matic equipment that is over 50 years old. But this is rapidly

changing China's first sophisticated telecommunications national system was completed in 1976 and comprised an 1800-channel coaxial cable connecting Beijing to Hangshon via Shanghai. A national telephone centre was to Hangzhon via Shanghal A tions equipment, as well as to set national telephone centre was inaugurated in Beijing and, by ty in a deal which could be 1980, with the installation of Intelestat ground stations, direct Strong emphasis in the moderate of Computing were established.

Although China manufactures some telecommunications ghai, Guangzhou, the special ecoequipment such as crossbar momic zones of Xlamen and
exchanges, it is at present Shanzen and the 14 "open" coasbeyond her capabilities to protal cities where telecommunica-

CHINA'S major computer and duce much of today's equipment, tions assumes international telecommunications exhibition—Expo Comm 86—held in To meet these deficiencies, likely to have to soldier on with

phones per 1,000 people of its descended on China's major librables population. But, like so cities.

To date, Japan with the aid of soft loan financing has achieved the greatest success. Other countries, however, have had notable successes; they include France, with the sale of digital exchanges and transmission tively gained control of the party machine a series of major son: Sweden with its digital

supply cable.
Cable and Wireless are implementing a joint venture with China in setting up the Shenda Telephone Company in

However, the recent trade and economic development seminar between China and Britain, the largest-ever mounted between the two countries, is likely to boost the UK's figures significantly.

cantly
The two-day event which took place during the Queen's visit to China has led to various con-tracts and agreements being

These include Plessey's col-laborative deal with the Post and Telecommunications factory in Shanghai to establish a centre for service, maintenance and technical development of a range of digital equipment, Cable and Wireless' contract to develop the telecommunications system in the Yangise Delta regions and STC's five-year technology transfer agreement to manufacture telecommunica-

links to 47 countries were estab-links to 47 countries were estab-lished ernisation programme is being given to the main business areas and cities such as Beijing, Shan-

China's telephone network is companies, encouraged by soft poorly developed, with an average penetration of only five telephones per 1,000 people of its descended on China's major phones per 1,000 people of its descended on China's major posts and Telecommunications (MPT). While the MPT is much else in China, this situation is changing the second of the property o (MPT). While the MPT is responsible for national policy and standards, each region has a large measure of autonomy. This has been known to lead to fragmentation and unevenness in the development of a national

While China is eager to import equipment in order to modernise rapidly she is anxious to set up her own telecommunications industry and is therefore encouraging joint ventures and technology transfers. One example is the Sino-Belgoum joint venture which in 1983 set up the Shanghai Bell Telephone Equipment Company to manufacture digital switching equipment.

The deal, with Bell Telephone of Belgium, an ITT subsidiary, involved the local manufacture

involved the local manufacture of System 12 exchanges and it is expected that output will reach 300,000 lines a year by 1988. Other deals of this kind include Alcatel of France's contract to supply 500,000 telephone lines together with the transfer of manufacturing ability and telecommunications research facilities and of course. Cable facilities, and, of course, Cable and Wireless's joint venture referred to earlier.

China has also recently emerged as a leading contender in the space industry alongside Arianespace and the Japanese for the launch of commercial satellites.

Following the American space shuttle disaster and the US Gov-ernment's decision to reserve shuttle launches for scientific and military satellites the Chinese have had discussions with the UK, the US, Italy, Pakis-tan, Brazil, Australia, Argentina and Canada to explore the possibilities of China launching their

Using their own expendable Long March rockets, China claims it can launch satellites 15

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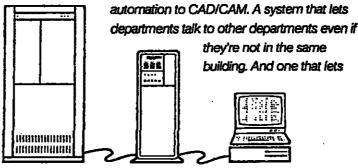
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Switching Technology

Integration of voice, video text and data

communications liberalisation will widen considerably the choice of equipment and services available to users.

Bringing together the increasing number of telecommunications services—voice, data, text and video—onto a single network should yield substantial allow suppliers there to develop allow suppliers there to develop the next terms of the next terms o savings in the cost of running the services and providing subscriber equipment.

There is still little clear evidence of integration developing between European states. There is, however, a lot of interest in service integration, and according to the Logica sys-tems consultancy group, most countries are planning to start an integrated services digital network (ISDN) before the end

" Most of the efforts towards European harmonisation are concentrated on co-ordinating the varied developments towards ISDN, and the subsequent plans for broadband net-works throughout the contiworks throughout the conti-nent," says Logica in a report published earlier this year, entitled; European Communcia-tion Services—Towards Integra-

Telecommunications plays a major role the economics of the EEC member states and now accounts for 2 per cent of gross domestic product, increasing to 7 per cent by the year 2000. Manufacturers in the telecom-

munications sector continue to be successful in world markets and are at the leading edge of technological advance.
However, there are disturbing

in the EEC is substantially lower than in Japan and the US.

Growth in the equipment mar-ket seems slower in Europe at 5 per cent a year, compared to the US where it is 8 per cent, and is hampered by market fragmentation along national boundaries and by lower levels of invest-

Data transmission is a smaller

the outdatedness of European industry," concludes Logica. "In addition, the opening of the US market has led Amer-

The section of the se

allow suppliers there to develop
a lead in supplying the next
generation of communication
equipment."
However, getting the individual European PITs to agree
on anything other than priceon anything other than price-fixing has proved to be a monumental task.

An European Parliament resolution in March 1384, deplored the community's failure to take rigorous action in defining standards for the connection of subscriber equip-

dards from the UK and France had developed within the EEC. and commented also that "it is particularly absurd that mobile radiophones should not be

centres responsible for granting type approval of equipment be

pean Posts and Telecommunica-tions (CEPT), in which the latter portents for the future, says undertook to carry out technical distributed processing system Logica. Telephone penetration work leading to the drafting of which does not have a centralwork leading to the drafting of which does no common specifications for the ised function. approval of telecommunications terminals.

Public switching equipment sales in the UK Plessey Combine System X (including contract development) Total System X turnover Plessey* Market share of BEC

*Excluding development sales sub-contracted to GEC in 1983-84 to

offer huge opportunities for suppliers of exchange equip-ment, but as some have found, the costs and technical obstacles of developing new genera-tions of equipment can be

1985-86.

formidable.

For example, the Compagnie ment Generale d'Electricite (CGE)
It pointed out that wholly recently won the French Govincompatible videotex standards from the TTF and Barrier of the transfer of the tr telecommunications activities. and inherited some problems in

the process. usable throughout the European Community."

It proposed that "national jeopardy because of a design In July, the future of ITT's flaw in its development. CGE engineers said they

required to comply with the would be able to deal with any same standards and practices throughout the community, and that in the long term they gradually merge to form a common integrated centre."

Languet 1094 a memoranintegrated centre."

In August 1984, a memorandum of understanding was signed between the Commission and the Conference on European Rest and Telegomyunications in the US and European Rest and European Rest and

According to the critics, another major fault is the fully Put in a nutshell, this means

munications terminals.

However, the equipment suppliers were excluded, so in October 1984, a draft agreement was reached on collaboration between CEPT and Cenelec, the European Committee on Electrotechnical Standards, in which suppliers play an important role.

Put in a nutshell, this means that if all the units, the call processing modules, are talking to each other at once, the system becomes inefficient and overloaded—rather like a committee meeting without a chairman where all members shout to make themselves heard.

Another problem, according to a former technical head of ITT. is that System 12 does not

Europe at 3 per cent than in the US at 5 per cent.

European suppliers, who are strong in traditional technology, are almost wholly reliant on non-European manufacturers for micro-electronic components.

Lant role.

In effect, Cenelec has taken ITT, is that System 12 does not discriminate between simple and complex processing tasks, examining network issues—resulting in inefficient processing. The approach of fully-intenance is correct without starting from the correct without The approach of fully-inte- to correct without starting from grated voice and data networks scratch.

System 12 has been delivered to 13 countries and ITT says it has orders for 12m lines. At present, only a million lines are operating, and ITT admitted to delivery delays in Norway. Denmark and Spain.

Despite the European Com-munity's efforts in breaking down telecommunications barriers, it may take the muscle of outside companies from the US aim to be able to provide his and Japan to bring this about.

CGF for example has sought level of facilities and security

CGE for example, has sought the French Government's approval for a deal with AT & T under which the latter would buy microwave transmission equipment from CGE's Alacatel subsidiary in exchange for the US company's entry with its partner Philips into France's domestic market for public switching

Under this scheme, Compag-nie Genrale de Constructions Telephonique (CGCT), an ailing former subsidiary of ITT, would produce the AT & T/Philips ESS-5 switching systems.

More recently, Italtel, the Italian telecommunications company, has entered the bidding to acquire CGCT. Other parties include a CGE/AT & T consortium, Siemens in Germany, and Ericsson in Sweden. Rapid developments

technology and changes legislation have combined to transform the telecommunications industry throughout Europe and the world over the

past few years.
To survive, the equipment suppliers will not only have to exploit the latest techniques in their products and services, but be prepared to re-organise to meet the demands of an increasingly dynamic market.

Boris Sedacca

Private Networks

Internal data exchange systems

tions was considered by many managements to be another one of the office overheads which should just be "kept in check." Today it has been recognised that efficient communications within a company are vital to its

It should be noted that a tele phone company, such as British Telecom, aims to cater for majority needs and so may not be able to devote resources to satisfy a great number of unique requirements. Thus, private networks are frequently used as the means of meeting these

There are many specific situations, such as interrogating remote computers, where it would be inappropriate to use the public switched telephone network (PSTN) because, even if the voice grade lines were of a suitable quality, the time taken to "set-up" the call would be far

too long.
A typical global network will provide a communications infrastructure with major nodes and tributaries in a number of

countries.

"follow-me" and conference calls to the users within a single site. When these systems are networked it is possible for these facilities to span the whole system so that it will be as

quick and easy to contact a colleague the far side of the country as one in the next office.

Now, however, with introduction of digital transmission and digital PABXs modern systems offer far more opportunities for the handling of data, text and image traffic in addition to speech.

advantage of advances in telecommunications at an early in the case of a public telestage.

This will be very much in advjust one division communications monopoly it is
tone of ISDN being widely with another. On the other hand, in a liberalised market such as
So what benefits will be the the USA and now the UK, the
user obtain?

Early private networks took the form of leased lines, linking the telephone switchboards at an early
in the case of a public telecommunications monopoly it is
to a liberalised market such as
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user obtain?

Thus, the prime carrier finds
the various sites operated by a

Companies such as Northern Telecom (via its UK partner, GEC Telecommunications) and Plessey have been supplying digital PABXs for a number of years. More recently they have been offering systems which are compatible with the integrated services digital network (ISDN), and are claiming that existing models are upgradeable to this

standard. ISDN is a concept being developed internationally by the carriers and major telecom-

everywhere across the system, munications equipment supbetween sites either overnight even if the public networks in pliers around the world or when the circuits are not offer these facilities.

Modern digital PABAs promise traffic in addition to the carriers have a confect of image traffic in addition to the carriers have a confect of interest. While, on the one hand, there are the carriers around the circuits are not confect of image traffic in addition to the carriers have a confect of interest. While, on the one hand, there are not confect of the carriers have a carrier have a

The result of this is that companies installing the latest generation PABAS and inter-connecting them in private net-works will be able, to take advantage of advances in tele-

the various sites operated by a company.

As they were used on heavilyused routes they enabled a company to improve the intra-company communications at the same time as being able to keep better control of costs.

When used in conjunction with PABXs it became possible to dial directly from one site to another and then, without witchboard operator intervention, to dial through to the

desired extension.
Obviously, a resource that was not being fully utilised also attracted a lot of attention. attracted a lot of attention. Thus, when it was not needed for voice, it could be used for, say, connecting facsimile machines. Equipment was also developed (data over voice) which allowed text messages to be sent by teleprinter along the same wires concurrently with a telephone conversation without telephone conversation without any appreciable degradation of

quality.
Similarly, modems which are needed to allow text and data to be transmitted over normal analogue telephone lines, have increased in sophistication with the result that an ordinary tele-phone circuit can now carry more than ten times the amount of data of a few years ago. Where there is an appreciable amount of traffic to be carried

over any particular path between two PABXs, it is frequently cost effective to install a leased circuit. Once this has been done a private network exists—even if rudimentary. From then onwards, additio-

nal traffic—and not just voice— can be carried and equipment installed that will increase the throughput of a line. For example, during the night data can be sent to enable computer file updates to be carried out. Similarly, internal memos can be handled by electronic mail Telecommunication technicians checking a circuit board

The carriers have a connector interest. While, on the one hand; they obtain a rental income from supplying leased lines, they also suffer from the consequent loss of revenue on the public switched telephone network (PSTN).

Thus, the prime carrier finds itself "bypassed." As well as being an emotive issue with the carriers it is seen as a major threat to their revenues as they feel that the most lucrative markets are the prime as the most lucrative markets. kets are being creamed off.

While buying one's telecommunications services from more than one supplier can give a negotiating advantage, there is always the risk of buck-passing when faults occur.

This is a problem that poses difficulties with international networks where there are a number of carriers involved. However, in the case of an international network, even if one had a turn-key contract in this country with BT for an entire network its jurisdiction would not extend to other countries.

This is a situation that has been recognised in the European Community. Over the past five years the EEC has been studying the telecommunica-tions environment with one aim being to achieve the harmonisation of technologies and tariffs across the whole Community.

Similarly, the Commercial Action Committee of CEPT (Conference of European Posts and Telecommunications) is working on a managed data services strategy. Networks would then be provided by a single co-ordinated external body set up by the European PTTs. While this would provide the har-monisation and co-ordination required, it would be at the expense of there being a single dominant supplier.

There is the risk that such a supplier, not being subject to the pressures of the market-place would underdeliver and thus hold back progress. Hence, harmonisation could come at the expense of innovation.

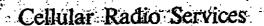
Adrian Morant

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Nordics show Europe the way

THE SUPERPOWER summi was not the only event which happened in Iceland this year. In July, Iceland became the latest country to offer a cellular

inside a telephone exchange in Oman in the Middle East.

radio service. The Icelandic authorities report explosive growth. They had been expecting 500 subscribers by the year-end. After two and a half months, they already

had 1,450. The Icelandic experience is musual only in the use to which some of its people are putting the cellular phones: small fishing vessels are using them up to 60 km from shore. Ice-land's new service was very typical in releasing explosive

émand. '" Almost everywhere, predictions have under-estimated reality," says Mr Nigel Cawth-orne, who edits European Communications monthly newsletter on the

ndustry. In many industrialised countries the sight of executives holling conversations on their carphones while driving between meetings is now becoming com-

The Scandinavian countries were the first off the mark in Enrope, Sweden, Denmark, Nor-way and Finland inaugurated the Nordic Mobile Telephone network in 1982.

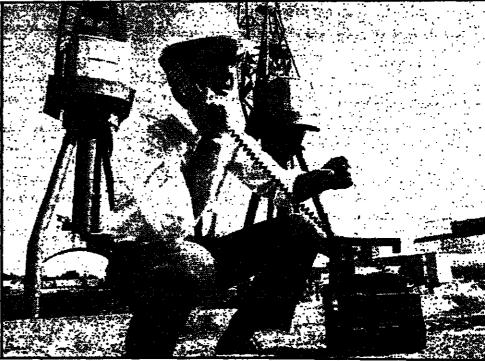
With this head start and fuel-led by their high standards of living they now have the high-est penetration per 1,000 population of any countries, according to Mr Cawthorne's figures. In Norway, it is 19.14; in Sweden, 11.85; in Denmark, 10.42; and in Finland, 9.25.

Scandinavia has also developed some thriving equipment manufacturers on the back of this large customer base. Mobira, part of the Nokia industrial group of Finland, is the leading mobile telephone supplier in Europe.

But the most recent success story, on the service if not equipment side, is Britain. The UK service began only at the tart of last year, but it already has more than 100,000 subscri-

Most observers praise the UK Government's decision in licensing two competing networks— Celinet and Racal Vodafone. The pace of development would almost certainly have been much slower if one operator had been given a monopoly. Mr. Colin Davis, Cellnet man-

aging director, told a recent conference on radio com-munications in Stockholm: "I believe that demand was latent, waiting for the opportunity to express itself, but competition stimulated awareness among potential customers. It also stimulated the UK system operators, both of whom have had to grow their systems very quickly



Mobile telephone sales are surging ahead in Europe, particularly in Britain. Above, a port official uses a Telecom Steel mobile phone, manufactured by NEC.

in order to satisfy demand." Cellnet and Racal Vodafone have each invested more than £100m on base stations, switches and other equipment needed to win as many of the new customers as possible.

Earlier this year, their competition became so fierce that it almost precipitated a price war. More than 500,000 subscribers by 1990 is the figure now being confidently predicted by executives within the industry.

Cellnet and Racai Vodafone are likely to be making substantial profits well before then.
Indeed, £125m was the figure
being suggested as the value of
the 15 per cent stake held in
Vodafone by Millicom, the US mobile communications group, when it was recently reported that Millicom was considering

that Millicom was considering selling its stake.

However, the rest of Europe, including the Scandinavian countries, has adopted a different model to the UK: a monopoly service based on the telephone authority.

France and West Germany have been the laggards in cellular phones, partly because of the collapse of an ambitious attempt to agree on a joint sys-

attempt to agree on a joint sys-tem. West Germany is now developing apace; in October, there were 15.000 subscribers, up from 12,400 the previous month. But France, where the number of customers remains very small, still appears to have technical problems in its

Even so, the Stockholm con-ference heard predictions that West Germany would have 200,000 subscribers, and France 120,000 subscribers, by 1990. On past experience, these figures are almost certain to be under-

In the US, the service is limited mainly to large towns because of the geography of the country. Development was patchy to start off with Mr Herschel Shosteck, whose research and consultancy com-pany tracks cellular developments in the US, blames the country's "bizarre and chaotic" regulatory arrangements.

Under the US regime, like that in the UK, there are two competing networks. The difference is that the operators of the networks need not be the same in the more than 300 metropolitan areas designated by the

that more stability is being introduced into the US system as big companies are gobbling up the small companies which op the small companies which entered the market. In particular, the giant Bell regional operating companies are showing great interest. One, Bell-South has moved into the UK by howing a 40 per cent stake in Air buying a 40 per cent stake in Air Call, the UK radio communicaions group,

Users of cellular phones are now increasing steadily by n

than 20,000 a month in the US. according to Mr Shosteck's figures. He predicts there will be more than 600,000 by the year end and 1.5m by 1990.

While most countries are contheir basic network, much thought is already being devoted to medium-term developments.

Transition from the analogue systems currently in operation to digital is one such idea which is actively being explored. Digicellular networks would allow more reliable transmis-sion of data, easier interconnection with the increasingly digi-tal public telephone networks and possibly also cheaper ser-

Linked to this discussion is the desire for more cross-bor-der cellular networks. Authoritles in Europe are considering an ambitious proposal for a pan-European digital cellular radio network, which would allow a German lorry driver travelling along an English motorway to phone his depot back in Frank-furt

Formidable difficulties have to be sorted out, however before this pan-European dream becomes a reality, including further development of digital technology; agreeing on common standards; and devising arrangements accounting and billing.

David Thomas

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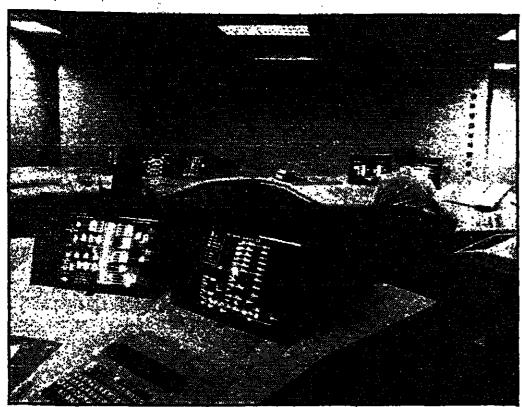
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Adrian Ma



Mercury's network operations centre in Birmingham, where an advanced computercontrolled telemetry system is used to monitor and control its telecommunications

New Public Services

Sales set to rise fast

AGONYLINE IS no joke. It is now one of thousands of new public services available by telephone—part of an exploding national private networks for new industry called value added network services (VANS). If a service of any description, including a service of any description. including an agony aunt, is work management in October, added to an ordinary telephone valuing the management sector line, it becomes a VANS. The big sellers, however, are electronic mail, financial incomes a control mail financial incomes a con tion and network management. Forecasts for cash earnings in VANS markets are spectacular. Sales in western Europe are worth \$200m a year and will rise to \$5bn year by 1992, suggests Logica. The UK will lead with 30 per cent of that figure because deregulation means

By using a VANS system, a company saves on the capital ate the same service in-house. Small companies can start VANS for low capital outlay by piggybacking them on estab-lished VANS systems. British Telecom carried other VANS on Telecom Gold and the data-only

Most business users, however, still see the telephone line as solely a means of talking to someone far away. So, in October, the UK's Department of Trade and Industry (DTI) started a £1.25m two-year awareness programme, called

Such programmes have had mixed results in the past. But this time the sector has been owners have a turnover more than £50m a year. Above those levels there are half a dozen rules covering publication of tariffs and conformance to technical standards.

Some companies have fore-seen the cash potential of VANS in a deregulated environment. In 1984, IBM and British Tele-com tried to set up Jove, a super-VANS which could carry other people's services and data, but managed by IBM and BT. The then-Secretary of State for Trade and Industry deemed that the joint venture would squash competition, and stop-ped it.

started up separate network and recoups the money by not services. BT has managed inter-having to publish directories

1BM moved even faster. Its UK allowed competition in electro-national network already has nic mail. Nevertheless, Logica several customers. For predicts the attitude of the DBP several customers. For example, it links automated teller machines (ATMs) from different building societies.

In the US, the market is less

rent building societies. A card-carrying customer of, than clear with many restric-say, the Leeds Permanent can tions on the regional Bell use Alliance and Leicester operating companies (RBOCs), fewer obstacles to independent and sends the cash request one is about the size of British and sends the cash request around the Alliance nework. The VANS provides the control and staff it would need to oper- and bridge to the Leeds network and into the head office compu-

> After checking that there is enough money in the account, the authorisation travels back through the networks to the based Bellsouth took a 40 per Alliance ATM and cash is discent stake in Aircall, which pensed. The transaction takes about 20 seconds. The building societies can proceed with the task of marketing, knowing that of ITT's Dialcom subsidiary, network management is some-

one else's problem.
Other big VANS suppliers include Fastrak and Istel, sub-British Leyland, respectively, nic mail service. Easylink in the Now the BBC and ITV have UK is licensed by Cable and entered the fray. They will Wireless. broadcast data services and say deregulated first. Since August controls only apply to VANS that for over 100 special receivcurrently worth about \$50m a controls only apply to VANS ear, or whose with telephone distribution.

works take specialised products to customers' offices. There are online databases for farmers and for journalists and for equity dealers. Just before the August deregulation, 782 VANS licences had been issued to 195

munications body, the DGT.
Teletel is similar to Prestel
which has under 70,000 users.

Both companies have since The DGT gave away the Minitels and from the extra calls made to the VANS. Already there are reports of Minitel millionaires, proprietors of their own lucra-

tive services.
West Germany has the most restrictive VANS environment in Europe. Even there the Deutches Bundepost (DBP) has will hold back VANS develop-

Telecom and they are eyeing opportunities in Europe.

Two years ago Pacific Telesis bought the fledgling British electronic mail company. Oneto-one. It now takes second place in the market after Telecom Gold. In August, Georgiaoperates several UK VANS.

Battle lines are drawn with

BT's purchase, earlier this year, service was originally licensed. All eyes are now on Western include Fastrak and Istel, sub. Union to see what it will do with sidiaries of Midland Bank and it unprofitable Easylink electro-

The Japanese VANS market is with 18 Japanese partners, Each of these carrier net Fujitsu and Nippon Life Insurance Company. International telephone lines

make it easy to set up inter-national VANS. One such is Edinet which carries docu-ments across the North Atlantic and is operated jointly between British Telecom and McDonnell In France there are 2.500

VANS going out to over 1.5m

Minitel screens. They are privately operated, but the Minitel network, called Teletel, is state-owned through the telecommunications body, the DGT.

Teletel is the problems for customs and excise officials. Millions of pounds worth of information crosses international borders, travelling on wires or by satelling or

Danny Green

Customer Services

Centrex forces changes

PRIVATE TELEPHONE switchboards in Britain will start disappearing next year. It has been happening in the US for over a decade and the cause is centrex.

With centrex much of what happens on an ordinary office switchboard is duplicated in part of the main public switch reserved for one customer. The result: companies can save on capital outlay, floor space, tele-phone management staff and electricity costs. One of the tele-phone companies in Washingphone companies in Washington DC, for example, now has more than 43 per cent of its business lines on centrex.

Ten years ago, companies generally changed their private telephone switchboards (PABXs) every 15 years. Now it is more like every eight years. Between 1982-85, most companies exchanged their pre-electronic switchboards for a new generation controlled by computers. Now there is little or computers. Now there is little or no growth in sales of these items. The problem facing the suppliers is how to add enough value to PABXs to make companies scrap what they have now. And they face the new challenge of centrex.

UK manufacture.

UK manufacturers, such as Plessey and GEC, have been caught napping by centrex. Mercaught napping by centrex. Mercury is installing centrex on kit bought from Northern Telecom of Canada, while British Telecome is buying from Philips. "System X will have centrex-type facilities maybe next year," says Mr John Hooley, Plessey

market planning executive.

and marketing director of Tele-phone Rentals. He thinks that centrex will improve awareness of other products, such as prog-rammable phones and new PABX features.

These extras are vital in a market selling otherwise simi-lar products. Voice mail can now be bought with the PABX. It allows users to leave verbal message for other extensions, like a centralised answering machine. British Telecom runs a public version called Voicebank, but customers pay for using it

The future for voice mail is uncertain, however. The US

mail sales are flat," says Mr

Some extras do help. Pocket pagers can now be operated from PABXs. Users may dial someone's extension and, if they are not there, their pager

Automatic call distribution, where incoming calls go to free market planning executive.

Plessey has more than 80 per
cent of UK sales of large PABXs
and, in common with other gers keep track of how long a
manufacturers, will lose sales if
manufacturers, will lose sales if
answered, is saling to mail order and insurance quotation

"It should appeal to multi-site organisations such as retail chains where centrex can give the company a single telephone number with the shops as extensions," Mr Barry Hannam, sales network.

But the PABX-makers are struggling against the tide. Although the latest PABXs use digital technology, that does not make much difference while the telephone network itself uses pre-war parts. Both Mercury and BT are putting digital links into only a small proportion of UK premises and most market forecasts suggest that PABX sales around the world will not begin to take off until 1989. Around that time, widespread

trials of the integrated services digital network (ISDN) will start—the current British Tele-com pilot project is called IDA and has a handful of subscri-bers. ISDN will carry voice, data text and images on one line from the office, and most developed countries plan to build ISDN as a publicly accessible service.

It is already possible to simulate ISDN on leased lines with some PABXs. But the ISDN standards have not yet been finalised, and buyers risk ending-up using standards which no one else has bought.

In the meantime, the dereg ulation of telecommunication and uncertainty about the ISDN standards which will eventually be adopted is pushing customers away from in-house service to bureaux. During the 1970s "electronic mail" meant a company-wide service, operated in house. Now there are 50,000 mailboxes allocated in Telecon Gold alone, and there are at least three serious rivals chas-

ing in its wake. Danny Green

Electronic Publishing

More data services come on stream

INFORMATION such as computerised database retrieval are starting to take off, particularly in the US, though are that the user will not know profits are still elusive

The reason, apart from the lishing service break oven, may be that once the information has been delivered in electronic form and converted to "hard

The value of the information provided by these services must outweigh their cost to subscri-bers. They are nevertheless expensive services and, as far as the subscriber is concerned, their benefit must be spread as

widely as possible.

Electronic publishers often have a job convincing the custo-dians of their primary sources It pays for these of information, the traditional publishers of hard copy information in magazines and newspapers, that their information will not be pirated (fall into the hands of people who have not paid for the information).

The software industry is cur-rently facing a similar crisis of piracy. Mr Trevor Havelock of Hotper, acknowledges the problems of drawing up republishing

agreements.
"Publishers have been slow to come to grips with the realities of Electronic publishing" says Mr Havelock.

"Their initial reaction to any-

where to find the information The reason, apart from the unless he is using a librarian number of subscribers needed to make an electronic pub-

information is that they should

buy back issues. The chances

Analysis Systems (GAS), which provides information on econo-mic, political and strategic events in 100 countries, have copy," the information provider geared themselves up from the has no control over how widely start to publish information that information is distributed. exclusively in electronic form.

GAS itself takes in information feeds from outside services including securities trading information from services such at Reuters, Bridge Data and Telegurs, and adds value by producing detailed economic statistics and making editorial comment of an economic or

It pays for these services and, in turn, collects money from third parties publishing its information. Such customers include BT's Hotline and Textline, a similar service established some years ago by Fins-

bury Data Services.
Textline provides text
abstract retrieval facilities on a
wider variety of business publications worldwide includline, a new online business ing national newspapers, busi-information service launched ness journals, press releases, by British Telecom in Septem-news tapes, corporate financial reports, newsletters and brok-

ers' surveys.
In addition to searching free text, Textline employs an extensive range of indexing terms that further help to identify vital areas of business information that cannot be retrieved

body who wants to use their using free text retrieval alone. For example, stories containing proprietary product names of pharmaceuticals but not necessarily the term "pharmaceuticals" would be indexed under pharmaceuticals.

Another competitor in this market, McCarthy On-Line pri-vides full text retrieval, rather than abstracts, albeit from a

smaller number of sources.
"We go for quality, not numbers," says Sarah Pebody of McCarthy On-Line. "We see no point in monitoring a lot of provincial newspapers. We use the most popular sources of busi-ness information."

One advantage of this service is that a standard IBM Personal Computer or compatible Computer or compatible tronic publishing. The company machine with modem can be used instead of the more esoteric terminals used by Hotline and Textline.

In 1984, ABC launched its

line and Textline.

Datasolve, a Thorn EMI information technology company, currently markets two major online information products: World Reporter and World Exporter.

Originally developed in a joint venture with Datasolve and the BBC, World Reporter is the UK's largest full-text international news and current affairs service, offering a 250m word database of authoritative sources such as the Financial Times, the Guardian, the Washington Post, Asahi News Service, the Economist, Associated Press, the BBC Summary of World Broadcasts and the BBC External Services News. World Exporter is a business

organisations trading overseas identify new opportunities and assess associated risk and financial implications. As well as business media sources, it includes databases from The British Overseas Trade Board, Plans and Projects Monitor, Euromoney and Sales Leads

International. IPC, the world's largest publishing company, has a number of electronic publishing services under the umbrella of Reed Telepublishing.

ABC Travel Guides, a leading publisher of travel related information, is part of Reed Telepublishing, formed in January 1984 to spearhead Reed International's move into elec-

Electronic range of products for the travel trade with a compu-ter-based version of its best selling World Airways Guide. This is delivered to the subscriber by

Prestel, or by the private Travi-com computer network. The majority of travel agents already use one or other of these networks to access airline and tour operator information.

The ABC product allows them to look up air schedules and fares on the same terminal.

A year ago, the company installed a large IBM 3083 main-

frame computer to support this development. The software for this system was developed spe-BBC External Services News. cifically for ABC by another World Exporter is a business intelligence service to help. Computerprint Corporation

US. ICC has wide experience in computer-based publishing and has recently been awarded a

contract to computerise the Oxford English Dictionary. Lexis, a comprehensive legal library and word-search system, is owned by Mead Data Central of Dayton, Ohio in the US, and marketed in the UK by Butter

worth Telepublishing. Earlier this year, the company acquired Eurolex, the main UK rival to Lexis, from the Inter-national Thomson Organisation. Eurolex was in financial trou-ble and faced closure. In the event, the Eurolex database was absorbed into Lexis.

Lexis was more expensive than Eurolex, and aithough some customers moved to Lexis, Butterworth Telepublishing would not be drawn on numbers.
The decision to acquire

Eurolex had to be made against a history of adverse trading conditions for computer-based legal research companies in a market that was growing very Although new electronic out

lishing services are continually coming on stream, it is far too early for a shake-out, which may result in a loss of confidence

among subscribers.
Furthermore it may reinforce the view that only large companies can afford the benefits of such services, that only large companies can set up these ser-vices, and that these services

have to be expensive in order to **Boris Sedacca**

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Stronger emphasis now on integrated systems

THE "electronic office," the ultimate in office automation. continues to advance, though hardly in the way or at the pace the pioneers predicted. They had expected developments to turn around the multifunction workstation, a low-cost device incorporating telephone, printing device to replace the type-writer, computer and electronic memory to replace paper files. Cost and technological inertia precluded that. Instead, office

professional personal computer and its adoption as the de facto workstation.

workstation.

According to Mr Michael Swaveley, vice president, marketing, for Compaq Computer Corporation, more than half the office workers in the developed world will have the use of a personal computing recovers by 1095

resource by 1995.

Speaking at a recent Financial Times conference he argued that communications was the key to realising the potential of the personal computer in the office.
"The personal computer has already become the basic build-

ing block in office automation and information processing," he said. "When tied together via a variety of communications approaches, personal compu-ters can move beyond indi-vidual productivity applications and deliver true workgroup pro-ductivity solutions as well."

It only takes a glance at the It only takes a glance at the spectacular, and somewhat unexpected, resurgence in the fortunes of the Digital Equipment Corporation, to realise that the large corporation offices are ready for these developments.

DEC is riding high on a wave of enthusiasm for " integrated office solutions " and " distributed processing," the ability to tie together simply and cheaply all the computers needed to run an office environment into powerful data

Put simply, the modern corporation needed three levels computer power to run its

First of all, it needs its tradi-tional data centre equipped with mainframe computers to act as a reservoir of computing power and to act as guardian of the company's information. Second, it needs smaller machines at the departmental level to provide local power and data storage. And third, it needs personal computers on the desks of its executives.

DEC was particularly well placed to exploit these trends in systems development because all its computers from its largest VAX superminis down to its desk-top computers shared a common automation has proceeded in a architecture, or machine design.

The single most important factor has been the advent of the complete state a comment of the complete state and the complete state a comment of the complete state and the complete state a automation strategies. Their computers were easy to connect to each other and their common architecture meant that they could work together as a single

computing unit. Furthermore, the concept of tying together a number of high-powered VAX minicomputers to replace conventional main-

replace conventional main-frame computers in the data centre is gaining credibility. DEC had been gaining at the expense of IBM, saddled with half a dozen separate and incompatible families of incompatible families of machine design and no clear and simple blueprints for office

Earlier this year, in what many observers believed was its most important product launch it intro-duced its System/360 mainframes in 1964, IBM struck back.

It announced a family of machines designed to operate as departmental, or office, computers, identical in architecture to its large mainframes. In other words, it had ensured compatibility between its data centre machines and its office minicomputers. Customers had

not been too enthusiastic about IBM's previous solution—to link personal computers to a System/36 minicomputer and connect that in turn to the mainframe.

According to Mr Stephen Smith, computer industry analyst with the New York stockbrokers Paine Webber: "Customers loyal to IBM have been waiting (impatiently) for an acceptable departmental

All but one of the customers we surveyed are dissatisfied with the System/36; it is too small and IBM seems unable to increase its capacity quickly

Mr Smith argues that the new machine range, which IBM calls the 9370 family, seems to be exactly what these customers need: "Several of these customers are attempting to create a world-wide PROFS electronic mail network and stated that the new machine would be the ideal PROFS note internationally."

PROFS, IBM's professional office system, is a key part of IBM's emerging office automation strategy. It is designed to help managers, professionals, secretaries and support staff in the creation and communica-tion of work information. It allows office functions to be performed on the same termi-nals used interactively for problem solving.

So the 9370 family is likely to have substantial impact on the office automation market. The impact will be offset to some extent by the fact that the new machines will not be shipped until the third quarter of 1987.

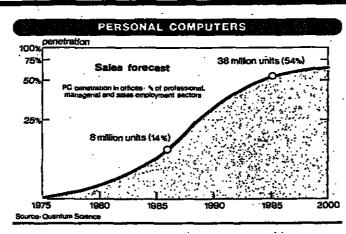
The question of how best to connect together all the devices which comprise the electronic office remains open. DEC is firmly committed to Ethernet, the first and best developed of the local area network (LAN) products. IBM, on the other hand, has introduced its own "token-passing ring," another variation on the LAN theme.

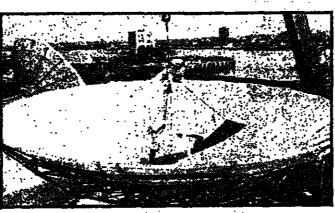
LANs are important because they allow computers and com-puter-based devices to be connected together cheaply and reliably within a small area— typically a building or an office complex.

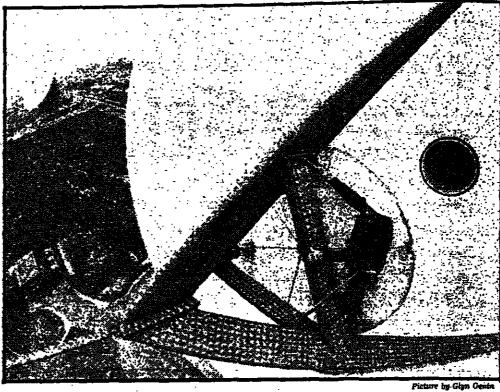
Conventional computer cab-ling is expensive, difficult to weave through even the most modern building and boosters have to be used every so often. LANS use sophisticated communications techniques to over-come these problems. They can come these problems. They can be used to connect computers, printers, facsimile devices ta fast-growing area of office com-munications), electronic data stores—and they promise the effective integration of voice, data, image and text over the same network

same network.

In 1995, according to Mr
Swavely of Compaq, the multifunction workstation pretifunction workstation pre-dicted by the pioneers will be a







Giant dish aerial installations: left, at British Telecom's earth station at London Docklands; and (above) at the earth station at Madley, near Hereford

of duct and the lower number of

access points required for the

Developing the Infrastructure

Era of optic cable and satellites

WE ARE in the age of informa-tion technology where there is an ever increasing demand for more circuits so that more tele-phone conversations can be held simultaneously and grow-ing amounts of information in other forms-such as data, text and video-can be transported

from place to place.

The need is therefore to increase both the number of paths and their capacity. As this trend will continue to grow for the foreseeable future, especially with the move towards the integrated services digital network (ISDN), the telecommunications carriers around the world are investing heavily in order to meet anticipated demand.

Satellites and cables are both competitive and complementary means used for long distance communications on a point-to-point or point-to-multi-point basis. They do have the disadvantage that signals take half-second or so to reach their destination due to having to travel the double 22,000 mile Alan Cane path between the earth and satellite.

This delay is rather disconcerting in a telephone conversa-tion. Nevertheless, they are a widely used medium and are particularly valuable in areas where it would otherwise be necessary for cables to traverse inhospitable terrain or where there are a number of separate destinations, each of which could not justify the installation of a cable.

stations can also be set up quite rapidly to bring services to the end-user-valuable where no suitable cables are installed and the wait for them would be too long A good example of this occurred in France where, following the launch of the Telecom 1 satellite at the end of 1984, transportable satellite 1984, transportable satellite ground stations were brought into service so that the advanced digital satellite services could be accessed from any part of the country.

Small dish satellite ground

To meet growing needs for tele-communications capacity, Intelsat (the international telecommunications satellite co-operative) and Eutelsat, a con-

sortium of the PTTs of the major ing the ductwork on new routes European nations, and a numis far lower both due to the size European nations, and a number of other organisations around the world are con-tinuing with their satellite sys-tems which, in addition to telecommunications, will be used

communications, will be used for TV broadcasting.

There has to be a continual satellite replacement programme. This is because satellites only have a limited in-orbit life. as they can only carry a limited amount of the fuel needed to keep them in the correct posi-tion and attitude (ie pointing in the right direction) in space. No matter how useful these

satellites become, the greater proportion of transmission will continue to be carried via cable—both terrestrial and sub-

The performance provided by modern optical cable systems is such that a single fibre less than 0.1mm (one-tenth of a millimetre) in diameter can carry 2,000 or more simultaneous conversations with regenerators to reamplify the signal only being needed every 30km. This com-pares with previous generation coaxial cable systems in which the cable is about 10mm in dismeter and the repeater spacing is typically 4.5km.
On land, the small physical

size of fibres enables additional cables to be installed in existing ducts which would not have been. able to accommodate further coaxial cables. This en-

installation of regenerators.

The world's first international submarine optical cable, run-ning between the UK and Belgium, was recently inaugurated. It added a further 11,500 telephone circuits to the 23,000 circuits already provided by the 12

cables that span the North Sea. TAT-8, the first transatlantic optical cable, being funded by a consortium of the major PITs around the world, is scheduled to come into service in 1982. It will be shortly followed by PTAT-1, the first privately funded transatiantic optical cable in which Cable and Wireless in the mire mover.

less is the prime mover. BT is offering discounts on forward contracts placed for TAT-8 capacity, aimed at draw-ing potential business away from PTAT. It cannot really be because it does not expect the market to be able to support both cables because, even with all this increasing capacity in the pipeline, initial discussions have already started with respect to the next PTT-owned cable, TAT-9.

While the domestic subscriber and the small business with just a few lines will prob-ably long continue to be conbeen. able to accommodate further coaxial cables. This enables the available capacity to be increased rapidly and easily to meet demands.

Similarly the cost of install supply the content of the public exchange, future might be the available transmission bandwidth in megabits per head of population.

Customer premises to both the public exchange, future might be the available transmission bandwidth in megabits per head of population.

Customer premises to both the public exchange, future might be the available transmission bandwidth in megabits per head of population. Similarly, the cost of install- public switched telephone net-

work (PSTN) and to other portions of private networks.
Initially, these fibre links will operate at 2Mbit/s (equivalent to 30 telephone channels) but will have the ability to be upgraded to 8Mbit/s and beyond as de-mand increases. As it will not be necessary to replace the fibre cable itself when carrying out this upgrade, costs and time will

be kept to a minimum.

In the longer term, the telecommunication administration
are looking towards broadband ISDN which will provide sub-scribers with about one-thousand times the bandwidth of ordinary (or narrowband) ISDN and so allow them to provide picturephone and other fu-

A view expressed by Dr Charles Kao, one of the key fi-gures in the development of fibre optics, was that whenever subscribers have been provided with an increased amount of capacity they have always found good uses for it—even if it was impossible to know what initially these uses would be.

If this is the case, it is to be expected that the information

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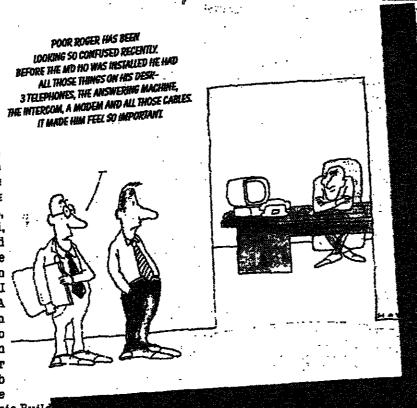
is Chare Market

age will continue to be hungry for transmission capacity for many years to come. In the same way that a country's GDP is frequently correlated with its telephones per 1,000 of the population, a more true measure in the future might be the available.

Adrian Morant

Australia ANZ Bank HQ, Caltex, Electricity Trust of S. Austr., Ford, ICI Network, John Fairfax, Westpac Bank. <u>Austria</u> Alfa Laval, Kurier, Wienerstädtische Versicherung, Österreichische Mineralöl-Vervaltung. <u>Belgium</u> Proctor & Gamble, Université Libre de Bruxelles. Brazil Ministerio de Educação e Cultura. China Fuzhou Railway, Ministry of Metallurgy, Nanhai East Oil Co, Nanhai West Oil Co. Colombia Aeropuerto de Medellin. Denmark BP, Danfoss A/S, Novo, PLM Haustrup, Privatbanken, Rank Xerox, Tuborg. Finland Digital Equipment Corp, Enso-Gutzeit Oy, Kansallis-Osake-Pankki, K OY, Kuopio City, Oy Electrolux Ab, Oy Stockmann Ab, Indonesian Airways P.T., Rauma-Repola Oy, Sanoma Corp, State Railwave tamina UP-III. Ireland

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The Standards Issue

Crucial to good order

ety; hardly the stuff to make the adrenalin flow but crucial to good order all the same.

And just as influence of a new factor standard with its com-

law on society inevitably reflects its authorship, so a company which sets a computing or communications standard achieves a commercial advan-tage which can be devastating Take, for example, the US software house Digital Research which swept all before it when it pioneered the

first operating (control) soft-ware for personal computers in the late 1970s.

When IBM launched its bestselling personal computer in the early 1980s, it used an

operating system PC/DOS built by another software house, Mic-Microsoft inevitably and rapidly became the leader in the personal computer operat-

ing software league and has All of which explains the worldwide concern about moves to establish standards in the interconnection of computer

A world standard has been proposed by consensus in the International Standards Organisation. This is called Open Systems Interconnect or OSL

Systems Interconnect or OSL.

The aim is to define every element of the connection process between computer systems so that any device or network obeying the rules can be connected to any other system obeying the same rules.

The problem is that the definition of these rules, mundane though they may be, is an exacting process. The OSI standard will eventually define seven separate "layers" (sets of rules dealing with specific discrete greas of connections) and only the lower four of these have been completely defined. have been completely defined.

Meanwhile, companies
worldwide are anxious to move
quickly to develop their own telecommunications and data com-

In the meantime, each compu-ter manufacturer has developed its own interconnection stan-(BOW

munications networks,

STANDARDS are to datacom- Unisys) has Burroughs Network do conform to the rules laid munications as laws are to soci- Architecture and so on. down by ISO for OSI.

pletely defined networking rules SNA-Systems Network Architecture.

It is important to understand that although OSI and SNA are the most important designs for the interconnection of dissimilar computer systems, they are not disastic communicable.

not directly comparable.

SNA is a set of rules which describes how to connect computers together in an IBM network-it does this best when the computers are IBM's own

machines.
OSI, on the other hand, is concerned with the connection of dissimilar computer systems— IBM to ICL, Honeywell to Unisys

There is, therefore, considerable cause for worry that IBM could set the standard in computer-to-computer communication by default. That would give it a competitive edge which it would be very difficult for other companies to overcome.

tocol.

Meanwhile, the "electronic office" has been boosted by the complete definition for the first time of a set of rules in the topmost layer of the OSI seven layer model.

These refer to the handling switching and delivery of electronic office.

System specifications are never static; planning to meet these specifications is akin to firing at a moving target. If IBM was allowed to establish SNA as the interconnect standard, it would always have the advantages of knowing what changes were next in the pipeline. This is why many of IBM's competitors have put aside their own networking ideas to concentrate on a unit front based on OSI. In the US there is the Corporation for Open Systems. Similar plans have been put forward in Europe by companies such as ICL of the UK, Siemens of West Germany. Olivetti of Italy and Bull of France.

Olivetti of italy and buil of France.

A major aims now is the establishment of conformance testing centres—laboratories equipped to test devices and systems to check that they really

The picture is given added depth and complexity by the fact that IBM has contributed from the first to the definition of the OSI standard and, in fact, operates the largest OSI conformance testing laboratory in

It has consistently argued that it will respect OSI conventions for the connection of dissimilar systems but that it will not give up its own investment in SNA in favour of OSI within its own networks.

What is remarkable about the whole standards debate is that for the first time the argument is being driven by the customers for systems rather than their manufacturers. In the manufacturing arena, the introduction of computer

and so on.

Many large companies, in implementing data communications networks, are using SNA for the simple reason that their data processing is based on IBM computers and SNA is now tried and tested over a period of vears.

In the manufacturing arema, the introduction of computer integration in the factory has been given significant impetus by the demand from General Motors that all its suppliers obey a version of OSI suited to manufacturing called MAP or manufacturing automation protocol.

These refer to the handling, switching and delivery of electronic messages and are called X.400 series.

In telephone networks, digital (computer language) switching and transmission will give rise eventually to Integrated Services Digital Networks (ISDNs) digital in character from end to end.

During the change from the traditional telephone networks through Integrated Digital Networks like the UK's System X to full ISDN, there will be a powerful need for standards to allow services on traditional networks and those on ISDNs to work together. together.

These "interworking" standards are the subject of a new set of recommendations now being prepared by the international telecommunications regulatory body, CCITT.

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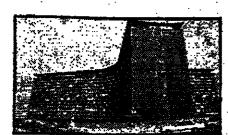
Adrian In

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SECTION IV

FINANCIAL TIMES SURVEY

This survey is an integral part of the Financial Times and is not for sale separately



Accession to the EEC has given Spain an important psychological boost. The size of the challenge is only

now beginning to be recognised however by the manufacturing industry

The taboos start to lift

THE SPANISH wanted almost unanimously to join the EEC— and they are glad and relieved to have made it. But most of them have forgotten why. Ordin-ary Spaniards, who up to acces-sion were more aware of the obstacles to entry than the reali-ties of the Community, would be hard put to point to any real

changes since January other than value-added tax. But those feeling the most di-rect effects, the manufacturers,

are starting to realise the size of the challenge taken on.

The impact of entry for Spain is mainly psychological, but is by no means a negligible one. Achieving membership was the political equivalent of a doctory of the start of the sta tor's certificate—a sign of acceptance and recognition of Spain as a "normal" country. It is no longer a nation with a chip

Membership has also brought a sense of completion for the transition to democracy. It is remarkable to think that four or five years ago coups d'etat were still in the air and newspapers were bravely publishing editorials in defence of the constitu-tion. Spain today is at last get-ting over its taboos; television is launching its first full series on the civil war of 50 years ago. The occasional reappearances of fascist Spain, such as the annual

By David White

demonstration a few days ago in memory of General Franco, have little significance—a curiosity like the persistence of unusual eating hours.

Spain has now come fully into the mainstream of the western community. Less than three months after becoming an EEC member it voted to stay in Nato (albeit with some reluctance and at the cost of a tough argument with the US over the future of American bases). It would probably have become part of the IMF group of 10 if there were not already 11 in the group. It will almost certainly join the European Monetary System once inflation is down to an average EEC level, possibly

countries have been smoothed. Fearful of fresh tension with Paris after the Chirac Govern-ment's arrival in power, the Spanish have been taken aback by how well relations with France have evolved. French authorities are co-

operating more than ever be-fore in the crackdown on Basque terrorism. A fishing dispute in the Bay of Biscay was resolved when France conceded rights to the Spanish. In ex-

change, Spain has not taken up cudgels over the EEC's policy towards non-member Mediterranean states.

King Juan Carlos's visit to the UK in April was a resounding success, even though talks on Gibraltar, initiated two years

ago, are bogged down.
Commercially. Spain has turned even more towards Europe. In the first nine months of this year its share of exports going to the rest of the Community rose to 60 per cent from 53 per cent a year earlier, and the EEC's slice of Spain's import market rose to 48 per cent from 36 per cent. West Germany has supplanted the US as Spain's

Though not dramatic, changes are beginning to filter through. Items that before had rarity value, from Weetabix breakfast Problems with neighbouring cereal to Alfa Romeo cars, have become commonly available. EEC standards will progressively be applied in areas like hygiene in abattoirs and en-vironmental protection. Helped by EEC funds, Spain is prepar-ing to tackle phenomena such as African swine fever, which pre-vents it from selling pork pro-ducts in Europe and is embarrassingly suggestive of the Third World.

World. ist dogma. employment to continue in-Old fears which led Spain to A blot on this exterior of creasing, as it has since last put up barriers—being overrun almos smug normality is the year.



A jubilant Felipe Gonzalez, re-elected as Prime Minister, is firmly in the seat of power

investment and, more recently, opened the door for Spaniards to invest in shares abroad. This

is a big sign of confidence.

The moderate Socialist Government of Mr Felipe Gonzalez, re-elected in June, sits firmly in the seat of power, undeterred by seing Socialist parties toppled in both of Spain's immediate neighbours. France and Portugal, and able to hold the vote of the left while pursuing policies (including some privatisation) that have little to do with Social-

or drained of resources—have been surmounted. The Government has lifted most of the remaining restrictions on foreign but also because of the failure of the inhabitants of the Basque country to find common ground on the kind of political model they want. Another is unemploy-

ment, affecting more than 21 per cent of the "active" population. Even if a third of the 3m un-employed are working in undeclared jobs, as the Government reckons, the figure is still well above average EEC levels. With more people, especially women, coming onto the jobs market. the figure is not likely to come down, even though the author-ities expect the number in

caused bouts of anxiety but is expected to end the year only heartland of the Left) for the

rheumatic complaints, but is now going to have to get up at the crack of dawn and go on forced marches.

Spain has shown itself highly competitive in services — with a big rise in tourist revenue it can expect to consolidate its current account surplus this year. But it is much less so in industrial goods. The divergence in inflation trends with the rest of the EEC, a stronger peseta and a gap in productivity often reaching 25 per cent have all taken their toll. Although investment is recovering industry is now feeling the lack of it in

With no more tax benefits for exporters, and with tariff de-fences starting to come down, Spanish manufacturers have been losing ground at home and abroad. Exports in peseta terms are 6 per cent down so tar this year. Imports have also dropped because of slashed oil prices, but by less, and non-energy im-ports have risen in volume by about 20 per cent

Spain's non-energy trade ba-lance has swung into the red. In a bad, drought-hit year for cere-al crops, the farm sector has not offset the negative effects of EEC membership on the industrial balance.

Since the first traiff cuts in March, Spain's one-time surplus against the EEC has been wiped out. In the first nine months its sales to the rest of the Community rose by only 6 per cent against a 25 rise in imports. In October its trade with France dropped into deficit. The Government has already had to invoke safeguard clauses, notably for steel products.

is firmly in the seat of power

The outlook is for growth above EEC averages in the next few years although there are some doubts about the Government reaching its 3 per cent target for this year. Inflation has caused bouts of anxiety but is

The Socialists' \$7bn streamlining plan for problem industries including steel, ship-building, textiles and electrical "white" goods, has been largely completed. But as the four-year "reconversion" programme comes to an end, the need is emerging for more state-aided surgery. Once again this is for steel, for some engineering sectors, and (most painfully since it will hit Asturias, traditional Socialists' heartland of the Left) for the uneconomical state-owned coal-

slightly above target at 9 per cent, including the effects of VAT. Prospects appear good for a renewed labour consensus with the Socialist UGT trade uning in ground the labour in ground trade in the socialist to the socialist t with the Socialist UGT trade uning. While in some areas it has ion, based on declining inflademonstrated a capability for tion. high-quality workmanship (and In this sense, entry has been the Government has started smoother than anticipated. But campaigning to improve quality for much of manufacturing instandards) it has been generally dustry, joining the EEC has bad at selling itself. It was not been like passing a medical for the greatest inspiration, for inmilitary service: it did not try to stance, when a company was set get off because of flat feet or up in the US to market Spanish

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defence equipment to call it

efex. This year, however, has produced at least one outstanding success for Spanish salesmanship, with the clinching of the 1992 Summer Olympics for Bar-celona against strong competi-tion. The Games and the univertion. The cames and the univer-sal exhibition planned in Sevil-le the same year for the 500th anniversary of Columbus's first discoveries will mobilise investments of several billion dollars.

The events coincide with the last year of Spain's industrial transition period with the EEC, and industries such as telecommunications hope to use them as leverage to make a "qualitative leap" into the European front rank.

The bulk of a \$15bn investment plan for Spain's railways is due to be completed by then. Madrid, once one of Europe's most poorly connected capitals, will be accessible by a new dual-carriageway road network. And, five centuries after Spain's conquest over Moorish occupation, the south will at last be physically linked to Europe.

It may have to do with the new horizons opened since joining the EEC, or with the end of an industrial crisis that came later and cut deeper than in the rest of Europe. But a noticeable change has come about in the way Spain has started to think

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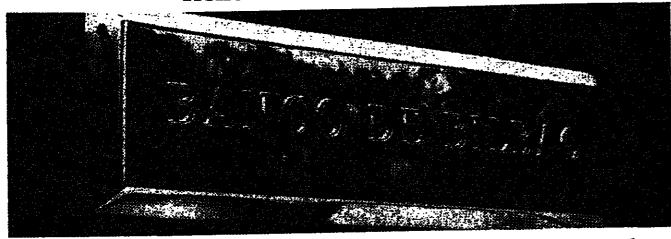
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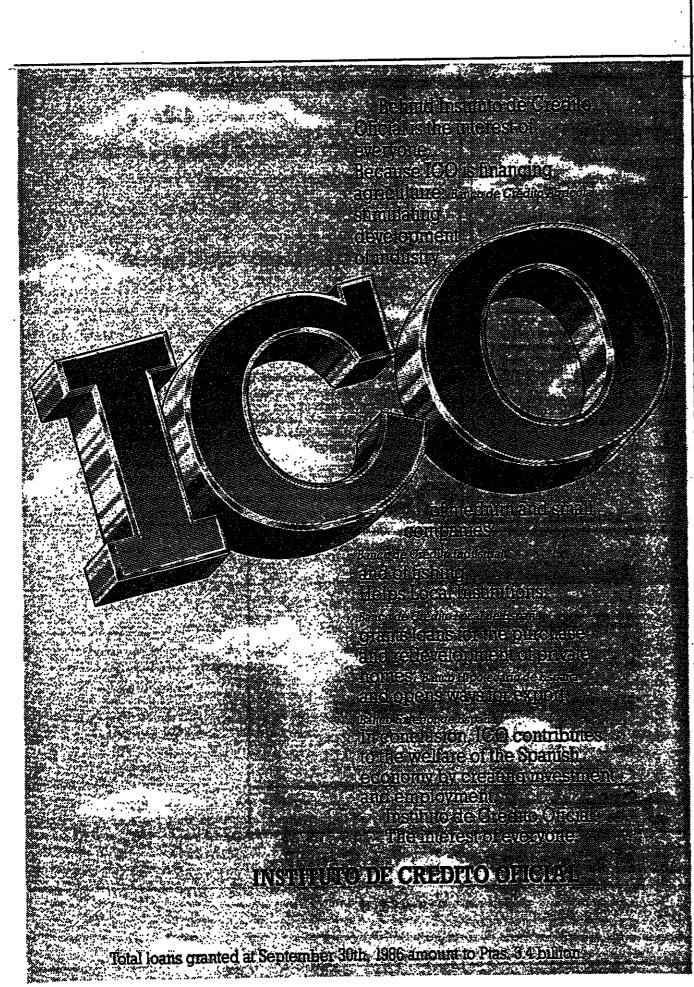
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Politics

Gonzalez is firmly in the saddle

FELIPE GONZALEZ is a much more relaxed man than he was nine months ago. Then, in his campaign for a referendum vote in favour of staying in the Nato alliance, which he had opposed joining just four years previously, he had reasons to be tense. Caught up in a tangle of his own creation, his future as Prime Minister was in some Prime Minister was in some doubt.

The referendum over (won in the end more easily than he expected, by a margin of 53 per cent for, 40 per cent against), confirmed in office for a second four-year term in the general

four-year term in the general election in June, Mr Gonzalez is now firmly settled in power.

Nobody at the beginning of Spain's transition to democracy after the end of the Franco era in 1975 could have foreseen the Socialist Party—which last got a taste of power in the unruly precivil war years—being so safely installed.

installed.

Are they there to stay for decades, Swedish-style? Or will they burn themselves out? In the general election the party kept on outright majority in Congress but lost 18 of its previous 202 seats and a large part of its hold on urban middleclass voters. Its leaders are worried about next June's municipal elections, when socialist mayors in several big towns including Madrid face a tough

The source of the Socialist Party's strength—its broad appeal, breaking the mould of left-right confrontation—is also its problem in deciding who it is aiming to please. It came to power in unique circumstances. It's predecessor, the centreright UCD, which four years ago was in the process of handing over the reins, had collapsed utterly and has since disap-

peared from the scene.
With the Right reluctant to with the Right reluctant to budge towards the Centre, the Centre in disarray, and the Communists in the throes of their own spectacle of division and collapse (which they managed to repair a little this year), the Socialists were left with a vacuum to fill.

As Mr Jordi Sole Tura com-

As Mr Jordi Sole Tura, com-munist law dean in Barcelona, munist law dean in Barcelona, and one of the architects of the 1978 constitution, put it: "The PSOE (Socialist Party) has found itself in the singular situation of having to be simultaneously a party of the modernancials of the Contra and of ate right, of the Centre and of the Left, because all the other parties that should occupy these positions have been through, or are going through, or will go through, grave internal crises."

office in 1982, without the movement or throw in the towel ideological baggage of the old The party has become a victim anti-cierical, anti-militarist, of its own success. With local pro-Republican party, but also bosses setting up strong bases in

apt than in the complex and often uneasy relationship between Spain and the US.

Spain itself is numerically not well represented among the ethnic minorities of the US even

if Spanish speakers from former Spanish colonies are; there is no Spanish lobby as there are

Irish, Greek or Israeli interest groups working on behalf of their kinfolk. Moreover, while

other European nations were either allied to, or liberated by the Americans, Spain's neutral-

ity in both World Wars pre-cluded the development of the

reservoir of popular goodwill to America evident elsewhere.

of Spaniards grew up perceiving

the US as preeminently the power that had underpinned

the Franco regime, and con-

Indeed, a post-war generation



Miguel Boyer, ex-finance minister (left), and Alfonso Guerra, deputy prime minister: a verbal skirmish between

representatives of the conserva-tive business establishment for Mr Gonzalez has himself greater signs of realism, the become worried about the parrepresentatives of the conserva-tive business establishment for greater signs of realism, the Socialists have appeared if any-thing more moderate. The Nato debate was symptomatic of the ditching of demands made while in opposi-

tion. Mr Felipe Gonzalez suf-fered some damage to his considerable popular image in the process of a rather heavy-handed campaign, and is now accused of backtracking on his

pledge to keep Spain outside
Nato's military sructure.
This year's rambling election
programme contrasted starkly
with the "100 points" the socialists were proposing in 1982, starting with the creation of 800,000 new jobs. "We were guided," the 1986 programme admitted, more by our political will than by the possibilities then offered by economic reality."

However, the confict between

the party's sense of trade union-based political identity and the It was crudely summed up in a verbal skirmish this summer between Mr Alfonso Guerral. between Mr Alfonso Guerra, the deputy prime minister and chief socialist election strategist, and Mr Miguel Boyer, ex-finance minister, who spoke out for greater liberalisation of the

Both have long been close to Mr Gonzalez. The one poured scorn on "frustrated politicians who are no longer in politics," the other against "pseudo-leftist demonstrates."

demagoguery."

This squabble has, however, served to eclipse the real left of the Socialist Party, to which Mr Guerra does not belong, and which has become increasingly demoralised. This faction, Izquierda Socialista, is meeting A young socialist team, many over the next few days to constill in their thirties, come to sider whether to continue as a sider whether to continue as a

without much experience. In the autonomous regions, power their second term, praised by rivalries have taken the place of

Relations with US

Anxiety on both sides

traditional nationalist elements have sporadically opposed US

policies, especially in Latin

Anti-Americanism, as well as traditional Spanish neutralism, surfaced sharply during Presi-dent Reagan's visit to Spain last

for membership was a considerable relief not only to Washing-

America.



becoming an oligarchy," as he told a socialist summer-school this year. He called for a " dialogue" to forge new ideas.
"I have to recognise that the model of socialism we will be

able to offer in the 1990s is not defined," he said. To the right of the Socialists, the opposition is also looking towards 1990 and the unresolved question of what party or

coalition could provide a credi-ble alternative to the socialists. The business establishment's dilemma over its political choices became evident in the Nato campaign, when the big banks parted company with Mr Manuel Fraga, leader of the main right-wing party Allanza Popular, who had called on his supporters to abstain.

him into trouble with other European conservative parties, The right's problem is that the 64 year-old Mr Fraga is its best vote-pulling asset but at the same time its biggest liability in attempting to win more support. There is no obvious substitute who could hope to keep Mr Fra-ga's votes and at the same time win over the large sector of cen-tre-right opinion that would

Regarded as a liberaliser when he served under the Franco regime, Mr Fraga is described by one conservative regional politician as "biologically dictatorial."

In June, a three-party coalition led by Mr Fraga kept all but a series and the series are series and the series and the series and the series are series

one of its previous 106 seats. As a result of the alliance, the Christian Democrat PDP party—"moss on the trunk of Mr Fraga, according to the same politician quoted earlier—got 21 of its members into Congress. Expressing dissatisfaction over the result, it then pulled them

But his triumph was far from complete. In order to win over

forced to promise to negotiate a

reduction in the US military presence in Spain, to keep Spain out of the alliance's inte-

Nevertheless, critical public

presence

ton and other Nato capitals, but Nevertheless, critical public to Spain's Socialist Prime opinion cannot be ignored. Last

out of the opposition coalition.

Meawhile, rumblings within Alianza Popular itself over the high-handed running of the party grew louder. In September, Mr Fraga sacked Mr Jorge Verstrynge, the party's 38-year-old secretary-general, a one-time protégé and heir apparent.

He had put Mr Fraga's name forward as candidate to the mayor of Madrid. Mr Fraga obviously saw it as an attempt to put him out to pasture. The offending dauphin then noisily left the party with three other members of parliament. Mr Fraga's seats were down to 80.

To rub salt in the wound, there followed a crists in the Alianza Popular Government in Galicia, the north-western region which is Fraga's home ground.

region which is rings house ground.

While rumours abound, Mr Fraga is still fighting, denying there is any crisis and refusing to let the party "lie failow for any opportunist."

A new alternative centre right

formation, the Democratic Reformist Party (PRD), laun-Reformist Party (PRD), Isunched by Mr Miquel Roca, a leading Catalan nationalist politican, proved to be an unprecedented fiasco. It drew in support from such figures as Mr Valery Giscard d'Estaing and Mr David Steel and Pta 600m in bank loans. But it got no seats. One went to an allied party in Calliet but that narry has since Galicia, but that party has since

quarrelled and split in two.

Mr Adolfo Snarez, the former
prime minister, who made a
triumphant comeback with his
CDS party in June, meanwhile
remains something of an
enigma. His long periods of silence succeed in making a contrast with the noise of scufipporters to abstain.

fling going on in other parties.

Mr Fraga's position also got. But, with 19 seats in Congress, the CDS is very much a one-man show, a curious combination of progressive-left and centre-

right.
Bigger worries for the Social-Bigger worries for the Socialists come from Catalonia and the Basque country, where the divide is not just between Left and Right but also between regionalist and national parties. Both have up to now had centreright governing parties, but both regions voted "no" in the Nato referendum to spite Madrid. In Catalonia, where the Left

In Catalonia, where the Left never consider voting for Mr had a clear majority in the first years of the transition, they have lost ground, even though they come first there in national

In the Basque country, where the situation is more radical and a large part of the popula-tion favours more complete home rule, the Socialists have found it even more difficult to gain credibility outside the

David White



Reginald Bartholomew,the new US ambassador to Spain, leads the negotiat-

in March this year continuing membership of Nato. Had the country voted to leave the alliance, it would paradoxically have been thrown back into its solitary embrace with the US, from which it had the US, from which it had the US, from which in also provides for \$400m of military credits per annum, there is little likelihood of a drastic diminution in the US ing delegation about US bases. December, Mr Gonzalez warned the US administration that they would have to accept some runpresence if he was to have a chance of winning the coming

Nato referendum. Accordingly.

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Moves towards greater liberalisation

mixed. The balance of payments is in good shape, foreign exchange reserves stand at a record level of over \$17bn, and investment is up 7.5 per cent this year. this year.

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But unemployment—the highest in Europe as a proportion of the available workforce—remains intractable at between 21 and 22 per cent. Inflation is also well above the European average and shows signs of ris-ing further, while the public deficit remains a powerful con-straint on growth.

straint on growth.

Spain's economic performance this year has been influenced first and foremost by the initial impact of joining the European Economic Community, along with its neighbour Portugal, on January I. This has provided the expected stimulus to foreign investment in Spain but it has also added to inflation through the advent of Value through the advent of Value Added Tax, which it was neces-sary to adopt as a condition of

entry.

More ominously, perhaps, EEC entry has turned Spain's former trade surplus with the Community into a sizeable and growing deficit. While the lowering of high Spanish tariffs has greatly eased access for imports this upsurge has not been balanced by anything like a

concomitant in exports.

More favourable factors influencing performance include a steady improvement in domestic demand and, crucially, lower oil prices, which have helped to contain inflation and the public deficit and encouraged the Government to revise its growth target from 2.5

to 3 per cent.
The Government's aim this year was to stimulate a modest economic recovery that would reduce unemployment without veering from the objectives of its stabilisation programme. Accordingly, the disturbingly high public deficit was targeted to fall to 4.5 per cent of Gross National Product and inflation to fall to 8 per cent by the end of the year—despite the negative impact of VAT.

For money supply the growth target was reduced from 13 to 11 per cent, but the Government was resigned to wages rising slightly more than last year in line with expected cost of living

How far have these objectives been met? By the end of August the public deficit was 18 per cent lower than in the same period in 1985, due mainly to the savings from cheaper oil and increased revenues from VAT. The deficit has been keeping interest rates high, hampering investment and job creation. The latest trends of public sector borrowing, however, make it far from certain that the end-ofyear target of 4.5 per cent of investment growth of 7 per cent.

reduce the deficit next year to 4 per cent of GDP, but it is likely to be constrained by the high spending of some state enter-prises and the continuing large

outlays on social security.

Another major goverment priority, curbing inflation, has been adversely affected not only by the introduction of VAT but by an unexpectedly sharp rise (13.4 per cent) in food prices. By the end of October the year-on-year inflation rate was running at 9.5 per cent, after jumping 1.1 per cent in September alone.

The Economy Minister, Mr outlays on social security.

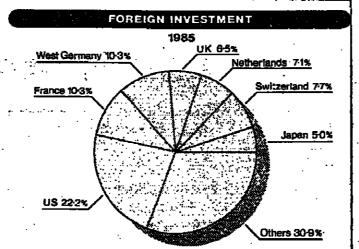
The Economy Minister, Mr Carlos Solchaga, has rejected food price controls; instead he has liberalised a number of has liberalised a number of agricultural imports in an effort to bring down costs and prices. Meanwhile, the all-important inflation disparity between Spain and its EEC partners has widened alarmingly, reducing the competitiveness of Spanish exports and the chances of stemming the deepening trade deficit with the rest of the Community. The EEC takes over 60 per cent of Spain's exports and provides almost half its imports. The peseta has generally held fairly steady against other EEC currencies this year, but given the faster growth of Spanish costs and prices it has appreciated in value in real terms.

Some economists foresee the

Some economists foresee the

Government effecting a managed depreciation of the peseta early next year through Central Bank selling, but that would have to be contingent on lower have to be contingent on lower inflation in the meantime. The business lobby, the CEOE, nevertheless feels strongly that the healthy balance of payments, particularly in invisibles and on capital account, gives hope for some devaluation which, they say, would greatly hoost export competitiveness.

boost export competitiveness.
But the Government remains committed to a stable exchange rate. For the Secretary of State for the Economy, Mr Miguel Angel Fernandez Ordonez, it is an essential element in the antiinflation programme, together with the removal of protectionagreement with the unions.



The Government has, however, had to revise its 1987 inflationreduction target from 4 to 5 per cent, to gain union backing for its inflation-linked wage mod-eration plan. The unions regarded 4 per cent as unrealistic Even so, the Government optimistically expects to see inflation down, by 1988, to around the present European level of 3 per cent.

If it succeeds, says Mr Fernandez Ordonez, Spain would then consider joining the European

consider joining the European Monetary System.

The closely-related exercise of controlling the money supply has met with marginally more success. After rising in the first part of the year, by early September it was within the 11 per cent growth target as a result of the Government's tighter interest rate policy.

Improved money supply figures, and the stable outlook then led to a slight fall in interbank interest rates, but in October public sector financing needs once again boosted the money supply, taking it slightly over target. Private sector demand for credit remains relatively weak, however, and the Central Bank does expect interest rates to rise in the immediate future. The Government is aiming to bring money supply growth down to 8 per cent next year. The expansionary effect

which the substantial inflow of funds from Spain's payments surplus might have had on the authorities' monetary control calculations has been largely offset by early repayment of foreign loans. Total private and public sector debt fell from its 1984 peak of almost \$31bn to \$26bn by September and the authorities hope to see it fall to \$24bn by the year end. Similarly, the strong inflow of investment funds from abroad,

attracted partly by a booming stock market, has also led the authorities to take countervailing measures. To head off excessive domestic monetary growth, ist barriers and, crucially, the the Government is now allowing control of wages through an Spanish residents to buy shares the Government is now allowing on foreign stock markets.

Although Spain has until 1990 to adopt EEC rules on the free circulation of capital, the Government is moving prematurely because it also fears the uncompetitive effects of a stronger peseta that would result from excessive capital inflows.

On the wages front, negotiated settlements had led to a general rise of around 8 per cent by September, slightly higher—as expected—than last year. The trend is expected to continue to

the end of the year.

Domestic demand, from both consumption and investment remains the main stimulus to growth, which is now expected to finish up between 25 and 3 per cent this year. The econom is being led by lower interest rates, an improvement in corpo-rate profits, foreign investment and a degree of restocking

But the relative improvement in economic growth is unlikely to make a serious dent in unemployment, which is increasing at a faster rate than last year. Though new jobs are being created the problem remains essentially unsolved. Youth unemployment, in par-ticular, is likely to worsen as the effects of the baby boom of the 1960s make themselves felt. Labour mobility is not helped by protectionist housing legisla-

tion which discourages people from moving to places where jobs may be available but hous-ing costs more. Home owner-ship is far more widespread in Spain than is generally realised.

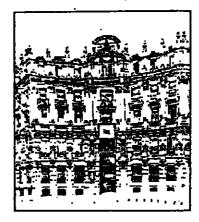
Last year the Government introduced liberalised rent contracts in an attempt to loosen some rigidities. Similar moves are being made right across the economy, especially in the labour and capital markets.

Indeed, if the Socialist Gov-ernment's economic policy has a leitmotiv, it is market liber-alisation and deregulation as a means of achieving the flexibility and productive efficiency the country needs if it is to respond successfully to the challenge of European Community membership.

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David Rudnick

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Real GDP growth (% from previous year)	1981 0.3	1982 1.0	1983 2.5	1984 2.3	1985 2.1	3.0*
Inflation (%)	14.6	14.4	12.2	11.8	8.8	9.3†
Current account balance (US\$bn)	-4.989	-4.245	-2.746	+2.008	+3.022	+4.6‡
Exchange rate: Peseta v. US\$ (annual average)	92.32	109.86	143.43	3.43 160.76 170.0	170.04	138.15
Public deficit as % of GDP	3.0	5.3	5.3	5.0	6.2	4.5*
Investment as % of GOP	20.3	19.7	18.8	20.0	28.3	21.0%
* Projection. † October. ‡ September.	fansvori ş	er 7. ¶ Pr	ojection bas	ed on 3 per	cent GDP	growth, an

Anxiety felt on both sides

the two governments at length agreed on adjustments "aimed at the phased reduction of the US military presence in Spain, based on the assumption by the Spanish armed forces of speci-fic reponsibilities and level of security for both countries and their allies."

As a "first step in the fulfil-ment of its commitment" the US announced it was reducing 10 per cent of its military service

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jon, substituting (mainly Span-ish) civilian personnel. Because of its proximity to Madrid, Tor-The US insists of its proximity to Madrid, Torrejon has frequently been a
target for left-wing protest marches. Spanish reaction was that
this amounted to little more
than a competing greature.

the US insists that any reduction in its troop levels or
installations must be matched
by an increased Spanish role to
maintain "the overall capabilities and security for both econ-

have taken place since last December's preliminary accord. While officials decline to reveal any details, it appears

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HITTER CONTRACTOR

So far two rounds of negotiations on US troop reductions have taken place since have taken place have taken

personnel at the most polithat disagreement now hinges tically sensitive base of Torreton the two sides' different jon, substituting (mainly Spaninterpretations of reduc-

destabilise the overall level of

western security and rebutting western security and reouting the implication that its mainte-nance depends on their exact substitution of "a plane for a plane, soldier for a soldier." Modern military technology, they argue, would allow the Americans to transfer some of their roles and missions to other allied countries, where the populace has expressed fewer inhibitions about the size of

their military presence. (There are about 14,000 US servicemen and dependants in Spain.) and dependants in Spain.)

A broad spectrum of Spanish opinion also thinks the Americans are using their Spanish bases for purposes other than the Nato mission of safeguarding the alliance's southern flank and providing in-depth support for the central front.

There is widespread suspicion that the bases also serve purely American national purely American national interests, particularly in the Middle East where Spain has no

wish to see her relations com-promised by US actions.

The Torrejon air base in par-ticular, with its long runway, offers important staging facili-ties for big US transport aircraft in the event of a crisis in the in the event of a crisis in the eastern Mediterranean. With or without its use in last April's US air raid on Libya, it was singularly fortuitous for Mr Gonzalez and Nato interests gen-erally that the raid took place just a month after, rather than

membership.
The US side has anxieties of its own. The negotiating delega-ton is led by the new ambassa-dor to Madrid, Mr Reginald Bartholomew, who successfully negotiated the renewal of US bases in Greece despite the dif-ficulties posed by the premier, Mr Papandreou. In the present negotiations

before the referendum on

will be anxious to avoid creating any precedent which could affect the status of US installa-tions in Greece or Turkey.

On the question of Spain's integration or otherwise into Nato's military command structure, the Government has been embarrassed by the disclosure of a confidential memorandum which it submitted to alliance headquarters in Brussels, stat-ing that Spain was ready to negotiate new agreements on military co-ordination and par-ticipation in joint Nato plan-

ning.

Although the Government has presented its position as modelled on that of France, its proposals would give Spain a much closer relationship with the alliance. Unlike France, Spain is already a member of Nato's military committee, defence planning group and nuclear planning group (NPG), in which latter body she has upgraded her representation from ambassadorial to ministerial

The Spanish Defence Minis-ter, Mr Narcis Serra, sees no inconsistency in Spain belonging to the NPG while formally eschewing co-operation in the alliance's integrated command structure and refusing to harbour US nuclear weapons. He describes the Spanish position as "very similar" to that held by other Nato powers like Canada and the Scandinavians.

The US looms large in Spain's economic life as a trading partner and source of investment US corporations provide jobs and the modern management methods which Spain needs to survive in the more competitive climate of the European Community.

Since joining the EEC and Nato, Spain has gone a long way to regularise its political relationship with the US, and place it on a level more akin to that of other western social democracies. Mr Gonzalez used a revealing metaphor when, in an address to the Trilateral Commission earlier this year he spoke of Europe as constitutthe parliamentary opposi-

in the western alliance. David Rudnick

Spanish Real Estate

Lesson 1

En los momentos actuales, tanto los promotores inmobiliarios como las entidades e instituciones inversionistas y en general las empresas, precisan un servicio profesional integral en cualquier país donde actúen. Hillier Parker e Invercame SA están trabajando en estrecha colaboración desde hace va tiempo con un gran número de firmas internacionales en diferentes proyectos en varias localizaciones en España, estando en condiciones de asegurar un rápido y completo servicio a su clientela.

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Patterns start to change

LESS than a year has elapsed since Spain joined the European Economic Community but already a change in trading pat-

terns is evident.

Imports from within the EEC now represent 48 per cent of the total, compared with 35 per cent last year, while other Communications.

last year, while other Community countries take 61 per cent of Spanish exports against 50 per cent last year and when Spain was still on the outside.

Since the first tariff reductions in March, West Germany has supplanted the US as Spain's leading supplier, increasing its sales by a third and its market share by almost half.

Most of Spain's new EEC part-

Most of Spain's new EEC part-ners have increased their exners have increased their exports. Portugal's are up by 52 per cent, partly as a result of companies using it as a "back door" for sending products tariff-free to Spain. (Portugal was formerly a member of the European Free Trade Associations) tion whereas Spain was not.) UK exports have so far benefited least from Spain's EEC member-

ship.

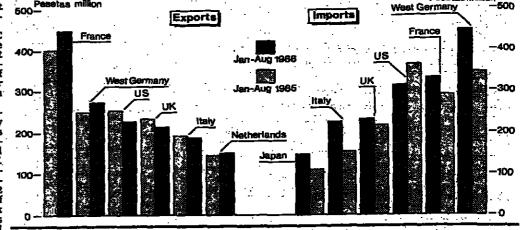
In the other direction, Spain has increased its exports to most other EEC countries but especially to France, which has extended its lead as Spain's biggest export market. Only the UK and Italy have so far taken fewer Spanish exports than a year

ago.
The trade surplus which
Spain formerly enjoyed with the
EEC disappeared in May, to be
replaced by regular monthly deficits. Whereas in the first three quarters of 1985 Spain ran a surplus with the Community of over Pta 200bn in the same period of this year she ran a deficit of nearty Pta 47bn.

Looked at another way, in the first nine months of membership Spanish exports to other EEC countries rose 5.8 per cent,

while imports rose 25.8 per cent. The turnround was widely expected, however. Since Spain already sent half of its exports to the EEC before she entered, and the tariffs on Spanish goods entering the Community were already low (around 3 per cent), there was little prospect of spectacular gains arising from better export conditions. On the other hand, Spanish producers now find themselves faced with much stiffer import

competition as Spain's formerly high tariffs start to come down. Tariff reduction shows signs of bearing especially hard on pre-viously highly-protected sectors



like the car industry. The nor mal tariff was reduced this year from 36.5 per cent to 22.5 per cent as a first step towards its total elimination in six years

Together with substantial quota increases, the change brought a volume increase of almost 60 per cent in imports in the first half of the year alone. Spain's inability, at least in the short run, to offset the surge in imports with greater access to Community markets could give the trade deficit a long-

term character. Here it must be said that Here it must be said that Spain's overall current external account is comfortably in surplus, buoyed up by lower oil and commodity prices, tourist and investment income, and the peseta's rise against the dollar (25 per cent over the past 18 months), in which currency Spain pays for 60-65 per cent of her imports.

The current account regis-tered a surplus of \$4.6bn in the first three quarters of this year, 20 per cent up on the same period of last year. The IMF estimates that the surplus could reach \$5.5bn for 1986 as a whole. It may be significant, however, that in the first nine months of this year non-energy imports were 13.9 per cent up on the same period of 1985, while total exports fell 6.3 per cent. The IMF is forecasting a significant fall in the surplus next year, and its disappearance thereafter, because of Spain's deteriorat-ing pattern of trade within the EEC.

The Socialist Government recognises that Spain faces a prob-lem of inadequate competitiveness and productivity in adap-ting to EEC membership and it rejects "quick fix" solutions like pesseta devaluation to solve like peseta devaluation to soive a long-term problem. Indeed, the Secretary of State for the Economy, Mr Miguel Angel Fernandez Ordinez, regards defence of the peseta, in pursuance of price stability, as a definite policy objective.

The Trade Secretary Mr Luis Velasco expressed a consensus yley in seeing the key task as

velasco expressed a consensus view in seeing the key task as the reduction of the high inflation rate. With Spanish inflation at 9.3 per cent remaining obstinately much higher than in other Community countries the key to boosting export com-petitiveness is seen to lie in implementing effective anti-inflation measures.

In October the Government announced a series of unscheduled tariff cuts for food imports, notably on the EEC's soft wheat surplus, in an effort to control sharply rising food prices

prices.
The imposition of value added tax, which Spain had to adopt as a condition of EEC entry, and abolition of the tax rebate previously offered to exporters, are frequent objects of complaint by Spanish businessmen. The Confederation of Spanish Business Organisations (CEOE) regard it as particularly unfair that their members should have to pay much larger social securcontributions than their

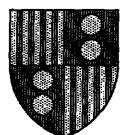
It is generally recognised that a more concerted export drive and a stronger government cam-paign to promote overseas sales are needed. The Institute for the Promotion of Exports
(INFE) was recently set up to
finance consortia of smaller and
medium-sized companies which co-operate to export common co-operate to export common products. INFE's budget, at around Pts 7.5bn, is small compared with that of its competitors, and the CEOE would like the government to devote 1 per cent of total export income to export promotion.

This would give INFE four or five times its present budget, though CEOE estimates that the exchequer could find this money at no net loss to revenue by using the sums it is saving from the abolition of export tax relief But the Government, according to CEOE, plans to increase INFE's budget next year by only one-third to around Pta

European Community sources say they find INFE remarkably efficient and unbureaucratic by Spanish standards.

But others take the view that spending more on promotion cannot begin to offset the loss in competitiveness occasioned by the new tax regime. Prof Francisco Granell, of the Barcelona Chamber of Commerce, esti-mates that the abolition of the export tax rebate is costing ex-porters a total Pta 150bn, or 20 times INFE's annual budget.

David Rudnick



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Sharp demand for office space

IN SEPTEMBER Heron International, the UK-based property and financial services group, beat nine competing companies to acquire Inmobi-liarias Reunidas, which formerly belonged to Rumasa, the private holding which was expropriated by the state in 1983, when it was allegedly

bankrupt. Two months later a Swiss group that had narrowly lost to Heron, bought the main Madrid offices of Banco de Santander. It was the costliest purchase by far of a single building in Spain and one of the most expensive

in Europe.

Heron ended up paying \$78m for its acquisition, which comprised some 200 mainly small office premises scattered around Spain and one, the twin towers known as the Torres de Jerez, occupies a prime site on Madrid's main boulevard, El Paseo de la Castellana. The price paid for the Torres, which could not be acquired separ-

ately, was \$30m.

The acquisition included an agreement by the company to invest a further \$222m in Spanish real estate over the next few years. This is unlikely to be a burden for Heron. As Heron said at the time of the Inmobithere are now "unique opportu-nities" to buy into office rental space, which is "much in demand following Spain's entry into the EEC."

Heron already owns an office block on the Paseo de la Castel-lana and the price per square metre on the boulevard has risen from Pts 1,600 at the end of 1984 to Pta 1,900 at the end of last year. Last June the square metre stood at Pta 2,200 and in November it was up to Pla 2,300. The Swiss rivals for the Torres de Jerez paid \$76.3m for the Banco de Santander building, which is also on the Paseo de la Castellana. The premises com-prise 36,000 sq m, of which 25,000 are available for office

space.
The new proprietors, who include the watch manufacturer include the watch manufacturer
Mr Pierre Blum and the property developer Mr Michael
Turin, agreed to have Bonco de
Santander stay on as tenants for
at least three years and not
more than five, while the bank's
new premises, a smaller 100year-old building on the same
boulevard, is refurbished.
While the September and the
November deals were being
negotiated giant excavaiors and

negotiated giant excavators and cranes were at work, once more on the Paseo de la Castellana and close to the Santander builand close to the santander offi-ding, on a development that symbolised more than anything else the property boom in the Spanish capital. The new landmark on the Madrid skyline will be a 45-storey office block, with 87,000 sq m of available space, called the Torre de Picasso.

This exceedingly tall building represents an investment of more than \$30m at present and it is scheduled to be completed early in 1989. Property-watchers in Madrid say, however, that the Torre de

Picasso's owners, Portland-Valderrivas, a subsidiary of the UK cement company which has the controlling interest, and Explo-sives Rio Tinto and Banco Zarasivos Río Tinto and Banco Zaragozano, are speeding up the work on the site and that it could be ready for use before the end of 1988.

The urgency reflects the extraordinary and growing demand for office space. Over the next two and a half years some 175,000 sq metres of office space will be coming on to the market in Madrid, with the Torre de Picasso accounting for half the amount. Property

half the amount. Property experts say that at least 250,000 sq metres' worth could be taken up during that period if it were available.

The present vacancy factor of some 48,000 sq metres of office space currently available for sale or letting in Madrid is only 1.58 per cent.

But the real indicator that EEC membership has changed the face of the Madrid property market is an ambitious plan, unveiled this year, to build a big

unveiled this year, to build a big trade fair centre, to be called the Campo de las Naciones, on the outskirts near the international airport.

Work began in October on the exhibition and conference complex which will cover an area of 4.3m sq metres. The initial infrastructure outlay of just over \$70m has been put up by the Government, the Madrid City Council, the Madrid area regional government, the local chamber of commerce and the Madrid Caja de Ahorros savings Madrid Caja de Aborros savings bank.

the plants to built six exhibi-tion pavilions with a total show-room space of 105,000 sq metres (the National Exhibition Centre near Birmingham is somewhat smaller with 93,000 sq metres), a conference hall to seat 20,000, two botels and a large recreational park with swimping scool nal park with swimming pools, sports facilities and a golf course.

The first phase of the complex is due to be completed by 1988. The Spanish Government and the other investors behind the Campo de las Naciones have decisively betted on the continued growth of Madrid and are determined to build facilities that will rival those found else. where in the EEC. Over the past four years the space available



The Rumasa towers at Plaza Colon in Madrid

nearly doubled to total 210,000 optimism is shared by the inter-sq metres and visitors to Madrid national property investors. exhibitions have increased from 800,000 to 2m. To judge by the property deals

for trade fairs in Madrid has over the past three months sucfi

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27.8 12.3 7.7 14.3 13.2 11.6 5.0 8.3

Market Share

Others

Source: 1985 Go

to look after itself financially,

though it will always remain technologically dependent on

Nissan. Paradoxically for such a

(one million units), commercial

vehicles 50 per cent, four-wheel

Ford, celebrating ten years of business in Spain, is in mellow

mood. Mr Patrick Byrne, man aging director of operations in Spain, sees the company's main

challenge as matching the cost

efficiency of the Japanese.
Though the company is one of
the most profitable in the industry, he says that increasing com-

petition, particularly now from imports, has "reduced the size

of the cake, with more people

Mr Byrne nevertheless con-firmed that after an "alarmingly

ish market has been growing

faster since the second quarter. There would appear to be

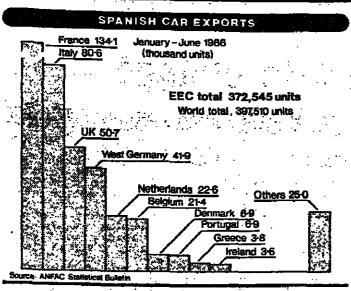
room for some optimism that

slow start" this year, the Spar

competing for a piec

drive vehicles 56 per cent.

Car Producers in Spain



The Unions Conflict looms on government labour reforms

UNION membership in Spain ment-boosting measures. The is now low and falling. An Inter-national Labour Organisation report four years ago estimated it at no more than 17-25 per cent of the workforce.

of the workforce. When the last union elections were held, also four years ago, to choose shop-floor delegates. 36.6 per cent of the elected shop the legates. These latest elections, which floor delegates belonged to the began on October 1 and finish at Socialist-led Union General de the end of the year, are expected to confirm, and probper cent represented the Communist-led Co (CO). The remainder belonged to various minority and regional

In the Basque region, however, the local union (ELA/ STV) remains stronger than either of the two main national unions, though for historical reasons it is closer to the UGT.

The CO is more tightly organised than the UGT and less open to the charge of collaborating with, or even selling out with Mr Camacho.
to,the present Socialist governif the union ele benefits from more inter- of the UGT's collaborative national recognition; it belongs policy the CO leader man and the European Trade Union Confederation, which the CO his federation with it. would like to join.
The UGT generally attracts

more members employed in the service sector, and it has recently made advances in big foreign-owned factories like Ford. The CO draws most of its strength from the older manufacturing and heavy industrial

Both Socialist and Communist-led federations accept Spanist-led federations accept Spanish membership of the European Community and hoth unreservedly methodic foreign-investment. investment. Several reasons are adduced

for the low level of union membership. The Labour and Social Security Minister, Mr Manuel Chaves, previously a senior UGT leader, believes that only a decade after the end of Francoism the workers have apparently not yet acquired the habit of participation in demo-cratic trade unions.

The veteran general secretary of the CO, Mr Marcelino Camacho, blames it all on memployment, at officially just under 22 per cent one of the highest rates in the OFCO

highest rates in the OECD.

Another reason may well be the prevalence of undeclared jobs in the black economy. The Economy Minister, Mr Carlos Solchaga, recently raised a political storm by suggesting that the real unemployment rate was nearer 15 per cent.

The main trade unions are none the less a force to be reckoned with and their intense rivalry can lead to a degree of competitive militancy in formulating demands, with the UGT anxious to disprove the perennial charge that it meekly adheres to the Socialist Government and its rigorous economic

policies. policies.

The UGT's actions over the past year are certainly not those of a Government poodle. It forced the Government to meet its objections and amend an important new pensions law.

Then, entirely against Government policy, it campaigned for a "no" vote in Spain's Nato membership referendum last

Most recently, and impor-tantly, the UGT has forced the Government to revise its 4 per cent inflation target for next year to 5 per cent as a condition for its continuing support for an inflation-linked wage-modera-tion accord

tion accord.

For the past two years the UGT has backed this tripartite incomes policy, agreed with the Government and the CEOE employers' organisation. Under it wage limits have been set in exchange for promises of public investment and other employ-

agreement expires at the end of the year but negotiations on its renewal have been held up because of the rivalry between the two big union groups as they again fight nationwide elections

CO. But until the full results are known little progress on the renewal of the tripartite incomes policy can be expected.

The CO declined to join in the labour pact two years ago, leav-ing the UGT as the only signatory. UGT leaders say they would welcome CO participation in a new agreement and in September the Economy Minis-ter discussed the possibilities If the union election results

Mr Chaves, the Labour Minister, says the Government would like to see the CO "come on board," but he does not believe it is likely to happen. He fears that union demands for wages in excess of the forecast 5 per cent inflation rate might erode Spain's competitive position in the EEC next year.

Meanwhile, the strongest focus of incipient conflict between the Government and the unions lies in the field of labour market reforms. The netorious rigidity of Spain's hiring and firing laws, a legacy of the paternalism of the Fran régime, is widely seen (though not by the unions) as a key factor preventing labour mobility and

job creation.

xibility is the current buzz-word. In 1984 the Government introduced a new type of fixed-term contract enabling companies to take on workers for a minimum of six months and, in case of termination, give them only 12 days' pay for each year of service. The Government claims that this reform, together with incentives for hiring young people, has helped to create more job opportunities and contain the rise in unemployment.

It is supported in its attempts at labour market reform by recent OECD and International Monetary Fund reports on Spain which singled out inflexibility as a prime con-straint on both job creation and

improved productivity.

The Government is now considering further reforms designed to liberalise the labour market. Chief among them are the proposed abolition of the statutory minimum wage for workers aged 18 to 24, the reduction of redundancy payments, the extension of short-term contracts, and removal of

contractual obstacles to part-time employment. The unions in general reject these proposed reforms, which they see as a thinly-disguised method of undermining job security and advancing the bogey of instant dismissal.

Mr Jose Maria Zufiaur, a leading UGT official and publicist, regards labour market rigidities

regards labour market rigidities as merely the latest scapegoat for the country's economic ills. If labour market rigidities really are so serious, asks Mr Zufiaur, why are foreign com-panies continuing year after year to invest in Spain, their "low-wage Eldorado?" But the unions' objections to

labour market liberalisation are not likely to deter the Government from its chosen course. David Rudnick

Domestic demand picks up in all sectors

Motor industry

THE MOTOR industry has played a key role in the growth and modernisation of Spain's economy since the early 1960s. Today, with annual output of cars and commercial vehicles touching 1.4m units, the Spanish motor industry is the fourth largest in Europe, behind West Germany, France and Italy, and

the sixth largest in the world. All the major European volume car makers, together with Ford and General Motors (GM) manufacture in Spain, attracted by still-competitive wage costs, its originally high tariff protection, and conve-nient situation as an exporting base. Exports account for 64 per

cent of the industry's output.
The multinationals' strong export orientation has in recent years been encouraged by a relatively sluggish home market, but the most recent data from the Motor Industry Manufactuers' Association (Anfac) show internal demand picking up in all sectors except tractors and all-terrain vehicles (ATVs). Domestic producers' sales of cars—by far the dominant sector-grew by 7.4 per cent to August 1986 over the correspon-

per cent), while Citroen's sales fell by 16.4 per cent. The heavy truck sector, previously the most depressed, saw home sales rise by 32 per cent, with Motor Iberica (Nissan) showing the biggest increase (78

The upswing in domestic latter category.)

demand actually began in the last quarter of 1985, fuelled by buyers' eagerness to beat the introduction of value added tax, which Spain had to adopt on joining the European Economic Community at the start of this

The home market's continuing buoyancy may be partially due to continuing inflationary expectations, though most market observers do not expect it to last. For the moment domesticsales are uncharacteristically expanding much faster than exports, which stagnated (down 0.2 per cent in volume) between

related company Peugeot Talbot, increased their exports by 1 37.5 and 10.5 per cent respectively. Ford and GM remained static, but on an already high volume base.

GM is the bigyeot cent, but on an already high companies the bigyeot cent. January and August

exporter with sales running at analysts expect import penetra-an annual rate of 220,000 cars, tion to reach 20 to 25 per cent in but in value added terms it could be Ford, since GM import on EEC imports are completely could be Ford, since GM import on EE their engines and transmission down. ding period of 1985, with GM systems from their plants in showing the biggest increase (39 Austria.

Car manufacturers tend to be bitter at what they see as a discriminatory VAT rate of 33 per cent, treating cars as luxury goods rather than consumer goods which only attract a 12 panies more dependent on the per cent rate. (Trucks and commercial vehicles come into this ernment aid.

The finance ministry, however, maintains that before VAT was introduced the tax regime was if anything harder, since it was based on a 24 per cent luxury tax, plus a 5 per cent service tax which, because of its cumulative impact (the "cas-

cade" tax) put the final tax above the present VAT rate. Wherever justice lies, the Government is unlikely to yield to industry pressure to lower VAT since it needs all the revenue it can raise to cope with

public deficit.
The EEC takes the bulk of Spain's car exports, but since Spain joined the Community imports have also shot up, to

To meet this new competition. the Spanish Government is taking steps to strengthened the industry. Ford and GM, already strongly geared to exports, do not feel seriously endangered by an import squeeze, but com-

The three French car makers

multi-model operations."

But the biggest restructuring move came last June with the sale of the state-owned Seat concern to Volkswagen for \$560m. Seat had been sustaining heavy losses since the late 1970s—last year it lost \$258m and the Government considered the investment needed to revive ship network abroad, and they the company far beyond its expect to benefit from VWs

It took several years to find a new owner for Seat, after it had been abandoned in 1980 by its former partner Fiat, and Volkswagen only agreed to take on the company after the Spanish Government had pledged a \$1.2bn aid package to help cover

workforce—already reduced by 10,000 since 1980—to around

17,000 by 1992. Seat's president, Mr Juan Antonio Diez Alvarez, rebuts criticism that preserving Seat as a separate company is small recompense for sealing off Spain's only domestically-owned car maker at the tax-payer's expense. Right from the start, he says, in the 1950s when Seat was set up as Spain's Seat was set up as Spain's national car company, the Government had sought foreign capital—then Fiat—to provide technology, know-how and export marketing support.

With Fiat's withdrawal, the excessive burden of keeping

Seat competitive with the inter-

are getting grants and loans national glants had fallen on the totalling around \$58m towards Spanish taxpayer. Now, with its restructuring their current multi-model operations. Sale to VW, the burden has been lifted, even if it has involved the taxpayer in a final outlay twice. Seneral Moto as high as the price paid by Volkswagen to put Seat's finan-

Taibot Peugeot cial house in order. Despite continuing losses, Seat's export performance is improving; in tandem with VW ANFAC estimates. they have built a new dealerenormous purchasing power loss-making company, Motor Iberica enjoys a dominant mar-

when shopping for components. Another troubled company, in the commercial vehicle sector, is Barcelona-based Motor Iberica, over 90 per cent owned by Nissan. The Japanese originally bought Massey Ferguson's 36 per cent stake in Motor Iberica its debts. in 1980, hoping to use Spain as a VW plans to rationalise Seat's springboard to penetrate European markets otherwise closed off by quota restrictions.

But so far things have not quite worked out as planned; Spain's depressed light trucks spain's depressed light dutas sector disappointed hopes and necessitated successive injec-tions of Nissan capital. Mr Juan Echevarria, Motor Iberica's president, is confident however that 1986 will prove to

have been a turning point; he is hopeful that losses will start to come down—to Pta 9.5bn from Pta 10.5bn last year, and that with short-term interest rates falling, financial charges will represent only 8 per cent rather than 9 per cent of sales.

By 1990, Mr Echevarria expects the company to be able

David Rudnick



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Lame ducks come under fire

ALTHOUGH Spain is a nation of individuals—and many individualists—more and more examples of teamwork and game plans can now be observed.

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The careers of Messrs Carlos ocareers or messrs (arios Solchaga, Luis Carlos Croissie and Claudio Aranzadi—and the fortunes of the Instituto Nacional de Industria (INI), the sprawling public-sector holding company—are cases in point

After four years each of the three men finally found his niche in recent months and the trio now represent the interlocking pieces of an administration in the role and tive jigsaw puzzle—the role and the future strategy of INL

The three agree that the pub-The three agree that the public sector has a specific part to play in an economy such as that of Spain and they not only see eye-to-eye on what this should be but they also have the power to do something about it.

In 1982 Mr Solchaga, a socialist party stalwart, was appointed Minister of Industry in the incoming Socialist Administration. He in turn appointed another young socialist and

another young socialist and economist, Mr Croissier, as his under-secretary and had Mr Aranzadi, another contemporary in his mid-thirties, nominated deputy chairman of INL

Mr Solchaga had confidence in Mr Aranzadi who, while not a Socialist, had worked with him in the economic research department of Banco de Viz-cava Both were "discoveries" The chance came after the

the fears of the business com-munity with "safe" appoint-trust and admiration. ments such as that of Mr Moya To the surprise of just about everybody except Mr Solchaga, Mr Aranzadi, who remained as INI's deputy chairman, and Mr

Companies in the INI group began to be sold to the private sector. Others were shut down and, in general, a ruthless attack was made on loss-making lame ducks.

In 1985 Mr Solchaga got the job he had long sought. In what proved to be a tempestuous cabinet reshuffle (it was the only period when the Prime Minister, Mr Felipe Gonzalez, has seemed at sea), Mr Miguel Boyer the controversial "Super Minister" and the main architect of the Socialist auster-ity programme, left the Govern-ment.

Mr Solchaga then took over as Minister of the Economy, the Exchequer and Trade, though he had to wait another full year before he was able to fit every

caya. Both were "discoveries"

The chance came after the of Spain's premier talent-spot.

June elections and his ter, Mr Pedro de Toledo, who reappointment as the Governnext month formally takes over ment's economic supremo. Mr as chairman of Banco de Croissier was then brought into Vizcaya.

In 1984 Mr Solchaga managed to hand the INI chairmanship to Mr Croissier. INI's losses had to hand the INI chairmanship to become INI's chairman. The team was at last complete.

continued to climb under Mr
Enrique Moya, a veteran and well-connected Madrid businessman who was certainly not a Socialist and had been given the job in 1982 precisely because of that.

The new Government had been anxious at the time to still the fears of the business com-

In synthesis, the target is to turn INI into a dynamic industrial power house, promoting and stimulating here, con-solidating there and setting an

Croissier, the new incumbent in example everywhere.
The public sector hot seat, a wholly new strategy began to corporativist and autarchic ecocorporativist and autarchic ecocorporativist and excellent nomy, is an excellent experimental laboratory for modern-minded young Social-ists like Mr Solchaga and Mr Croissier and for enthusiastic fellow-travellers like Mr Aran-

> n believe in state-controlled These men believe strategic, state-controlled industries but they also believe that they should pay their way.

But there is certainly not a Leftist antipathy towards private enterprise. If anything, there is a will to work with it. In those instances where private enterprise can improve on state control, INI gracefully bows out without the slightest regret.

This past year has afforded several clear examples of the strategy at work. Mr Croissier managed to fulfil his personal ambition, before leaving to join the Cabinet, of selling off Seat;

There was no public outery over the loss to foreign interests of Spain's only national car manufacturer. Along with sighs

of relief there was a calm and realistic acceptance of the fact the Spanish economy was simply not ready for such giddy industrial projects.

Mr Aranzadi has a list of strategic industries which he inherited from his predecessor. It includes defence systems, capital goods, shipbuilding and steel production. A secondary list itemises sectors which are list itemises sectors which are considered to have "growth" potential as well as strategic

The present chairman has also moved along the mixed company road.

Just as innovative was the decision in October to offer to geriator in vectors on the Madrid Stock Exchange, a 38 per cent holding in Gersa, an INI-owned gas and electrical utility which has a successful business in the Balearic Islands.

This was very much a pilot scheme and the ensuing rush for shares prepared the way for future flotations of minority states in INI companies.

. Mr Aranzadi meanwhile passed with great panache the "shoot down the lame ducks" test. In September he was test. In September he was totally deaf to trade union requests that INI should take over Rio Tinto Minera, the Huelva-based copper mining concern which was threatened with closure by Rio Tinto Zinc.

Mr Croissier had passed the test in 1884 when he forced through the closure of an INI integrated steel plant in Sagunto, near Valencia. Mr Solchava had previously set the the Cabinet, of selling off Sear, the INI-owned car manufacturer, to Volkswagen of West chaga had previously set the Germany. In 1985 Seat had pace as industry Minister when posted losses of Pta 36bn.

The public outcry is a determined nationalisation of the shipbuilding sector.

Tom Burns

TOTAL

Technology

Ambitious goals are being set

SPAIN IS rushing to bridge the technology gap that separated her too long from post-Second World War Europe. Progress has already been remarkable for a country that 30 years ago was predominantly agricultural and poor, and that only set up a National Fund for Scientific Research and Development in Research and Development in 1964, when emphasis had begun to shift from farming to manu-

acturing Rapid industrial developme meant heavy reliance on imported technology—in 1973, companies paid out Pta 8bn for technology imports and only managed technology exports of Pta 213m. In 1986, the emphasis is no

ionger on industrialisation wherever and however, but on modernisation, replacement of imported technology and Snanish development of technology. Spanish

The goals are ambitious. But European accession and the opportunities it offers for increased Spanish participaion in multilateral and bilateral European technology projects have spurred the administra-tion to make official promotion of technology more co-ordinated and efficient, and companies to set up their own research and development programmes drawing on a new generation of science graduates from reformed universities, and on government funds to assist them with their programmes.

Dogged emphasis on technological innovation since the late 1970s has already permitted a growing number of Spanish enterprises to take part in major European programmes.

Whereas only a few years.ago,

no more than three Spanish concerns Construciones Aeronauticas, the huge aeronautica construction corporation, and two official institutions—were in a position to participate in the European Space Agency, today, 30 Spanish businesses are participating, contributing with hardware and software. with hardware and software

composite materials feasibility studies. on industrialisation the Eureka programme, espeer and however, but on cially in medical research,
sisation, replacement of working on automated diagnosis
ed technology and by sensors of cardiovascular problems and venereal disease, and on a calcium-inhibiting drug for patients with high blood pressure.

The 1983 University Reform Act that brought greater emphasis on R & D, and the 1986 Scientific Research and

Projects approved ACCORDING TO AUTONOMOUS COMMUNITY AND AREA AREA OF RESEARCH [see kgy]

Key—AA, Agro-Food; BM, Blotech., Medicine & Chemistry; El, Electronics & Data; EV, Energy; ME, Mechanical & Manufacturing Processes; ESA, European Space Agency; AC, CDTI Contribution.

technological advancement. ects the ratio to reach 1 per cent of GDP-coming gradually closer to EEC averages of 2 per cent of GDP

Spanish companies which devise their own research programmes can receive substantial government help. While the Ministries of Educa-

tion (instigating major changes in the Spanish university sys-tem) and Industry (co-ordinat-ing and instigating the mod-ernisation of Spanish industry Development Law that permits emisation of Spanish industry smoother co-ordination of from its bustling high-tech builtechnology programmes and of ding in Madrid) oversee the co-operation between unimajor guidelines of technologiversity and industry, are the cal innovation, working in an linchpins of the new structure interministerial commission, linchpins of the new structure interministerial commission, which, Spain's younger generation of officials and entrepreneurs believe, will move their country higher on the scale of of the World Bank, acts as the

Despite restrictions, citrus

exports as a whole increased this year to 2,167,400 tonnes, compared with 1,528,000 tonnes

satsumas or clementines now on prominent display in London

food shops are evidence of the

filter through which projects, funds or venture capital flow in both directions, and co-ordin-Spending on R & D has leapt funds or venture capital flow in from a pairty 0.36 per cent of both directions, and co-ordingross Domestic Product in 1982, to 0.9 per cent this year. Next year the Ministry of Industry

Through which projects in funds or venture capital flow in funds or venture capit the European traffic control

In 1985, the CDTI channelled credit of Pta 11bn (\$65m) to technology research and development programmes—the largest annual figure ever, and culmination of a two-year drive in which three times more money was spent on promoting R & D than in the first five years of the CDTI's existence.

The priorities for Spanish R & D are in agriculture and offshoots like production of algae, new techniques for marine resources, new food products, biotechnology and medi-cine, electronics and data pro-cessing, and manufacturing

Just as urgently, energy savings, in a country where energy is expensive and heavily reliant on imports, and protection of an environment that is seriously polluted in some industrialised areas, are receiving concerted

Although precise figures are not available, it is known that Spanish industry in recent years, especially export-oriented companies, has been investing more in research, hiring more science graduates and accepting in growing numbers that without methodical invest-ment in development of domestic technology, in new quality controls and modern manu-facturing and data processing techniques, Spanish industry, which has an ambition to grow and prosper in Europe, will not be able to keep up the pace.

Diana Smith



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Farm Produce Settling in with the EEC

ORANGES and lemons, satsumas and clementines will have completely free access to European Community markets only in 1990, according to Spain's

Treaty of Accession. This prospect does not please the citrus fruit growers of south-ern Spain, whose 1986-87 crop is likely to reach a record 3.79m tonnes—8 per cent more than last year—and who have had to accept restrictions on their exports to EEC countries until 1990 while non-EEC exporters have long enjoyed access to EEC markets prepare for the future ended and it gains full EEC

membership.
The irony of marking time for the benefit of non-EEC fruit and vegetable exporters is not lost on enterprising Spanish growers, who could turn suitable parts of the country into the out-of-season flower, plant and mar-ket garden of Europe.
"Joining the EEC is like mov-ing into a new house," says Mr Maria Portera, secretary-gene-

ral of the Confederation of Spanish Farmers. "At first the spanish farmers. At first the rooms feel wrong and you can't find anything. Then you settle in. We will settle into the EEC and we intend to make a good job of it."

The drive to improve produce and market it still more energetically under the new EEC canopy is manifest among

canopy is manifest among Spain's more efficient farmers and their trade associations. About 17 per cent of the country's population is engaged in farming, though this figure may give a misleading picture.

From citrus to onions, lentils

to cut flowers, Spanish growers meat rose from 49,200 tonnes in have been trying for greater January-September 1965 to volume and higher quality in 109,800 tonnes by September areas where farming has graduated from subsistence level to a strong-market-oriented busi-

ness. While in Galicia 45 per cent of the active population still works in largely-subsistence farming where adaptation to EEC stan-dardisation, red tape and mar-ket organisation will be difficult for some years, in highly-industrialised Catalonia only 3 from the Mediterranean that per cent of the active popula tion still farms. These early months after

accession to the EEC are not only strained by the Community's two-tiered schedule for Spanish agriculture which obliges some of its best produce to be treated temporarily as third-country crops—they reflect the sudden, sharp impact of much-increased EEC agricultural imports into Spain.

By September, according to Agriculture Ministry figures, the farm trade deficit had reached \$237m compared with a deficit of only \$7m in September

The shortfall was caused not only by the usual annual fall in citrus exports at this time of year but by heavy increases in imports of cattle and animal products (meat, butter, cheese and hides).

Prices fell for key exports like flowers (down 14.2 per cent), fresh fruit, apart from citrus (down 16.2 per cent), and fresh vegetables (down 12 per cent). Imports of livestock trebled compared with January-September 1985, imports of EEC

Diana Smith

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Learning how to survive

"JOINING THE Common Martates of social security contributions put 65 per cent of the burtanting in an icy blast," says Mr den of social security financing contributions put 65 per cent of the burtanting in an icy blast," says Mr den of social security financing contributions put 65 per cent of the burtanting in an icy blast," says Mr den of social security financing contributions put 65 per cent of the burtanting in an icy blast," says Mr den of social security financing contributions and supplements can be handled in one place at one time.

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"Obviously, you could shut the door again to keep out the cold air. But you could also be bolder, turn up the central heating and put on warmer clothing. What we need is more efficient heating and better clothing.

There is no question of "slamming the door shut" against the European winds of change, but to Mr Aparicio and the members of the Confederation the Spanish Accession Treaty did not stoke the national boiler up enough and the pace of change in legislation to meet EEC demands has been too slow to offer businesses sufficently warm clothing to save them from catching a few colds.

Trade figures for last September show the effect of the chill: a deficit of Pta 36bn (\$216m) in trade with the EEC compared with a surplus of Pta 12bn (\$72m) in September 1985.

Spain's protectionist barriers are collapsing and small and medium-sized businesses are struggling to meet the new, aggressive competition with trade weapons that are in their trade weapons that are, in their view, deficient.

Rigid labour laws make it. hard to move employees from one job to another inside a company without lengthy union negotiations while punitive

High financing costs and kilometres of red tape—a heritage from the old, oppressively-protectionist economy—are other main obstacles to quick adjustment to new competitive pressures and management

Stronger market forces and less Governmental weight are the ultimate goals of a small-to-medium business sector that employs 57.8 per cent of all Spanish workers. A host of com-panies, many with fewer than 10 employees, notably in the furniture, footwear and accessories sectors, are gingerly learning has no place for businesses which resist adaptation.

The problem of bureaucracy in a nation where incentives and support go hand-in-hand with labyrinths of red tape— unless the entrepreneur can resort freely to (expensive) market financing for his projects— is a perpetual irritant, as readily recognised by the Gov-ernment as by the entrepreneurs'

Here and there steps have been taken to reduce bureaucracy or make it more comprehensible. In Madrid the local authorities have established lished the "single window," where all forms, documents, certificates,

exhausting) businessmen. information about legislation

and procedures.

Despite the frustrations of many small-to-medium businesmen with excessive manage-ment costs and rigid labour laws, there is a constructive dialogue between business and Government and in many areas a useful feedback.

Realistically recognising that Spain, to compete effectively, must move its products up-market and not down-market, and create an image of high quality, bold design and fashion-con-sciousnes on the international

sciousnes on the international scene, Government and businesses are working to achieve the "Spanish look."

With state help for technological development, hiring designations of the state ners and textile researchers, setting up laboratories, and improving production methods, Spanish companies are not only

Spanish companies are not only accepting that good design is potentially profitable—not a frivolous frill—but enthusiastically striving to upgrade the textile and clothing industry.

Next on the standard-raising agenda are furniture, footwear, largely made by small confinance small business agenda with a lot of creative energy but not always a strong sense of direction.

On the principle that it is

Going a step further and bringing Spanish small or medium businesses together with other EEC companies in a similar or complementary line, is slightly more difficult, but interest in the idea is growing

Spanish businessmen are not saying "manana" about the problems of EEC accession that lie not only in sloughing off uncom-fortable and antiquated legisla-tion but also in adapting en masse to EEC standards of qual-ity. The small business ethic is deeply rooted in the Spanish character. Statistics show that of the average of Pta 11-13bn (\$66m-78m) that are invested daily in the Spanish economy most are derived from the assets of small businesses.

of small businesses. There are 400,000 such businesses in all the provinces of a country that has turned its back on Franco's attempts to homogenise its language, cus-

No longer a 'plonk' image

DESPITE a growing acceptance of Rioja and one or two other still and sparkling wines, Spain has still not quite shaken off its old image as a producer of bulk rather than quality wine.

In line with its image as a cheap package holiday destina-tion, its reputation as a supplier of cheap, cheerful, frankly down-market wine is somewhat unfairly persisting in the more quality-conscious 1980s. But Spain is no longer a mass

supplier of very cheap wine, the famous plonk (or "plunk" as the Spaniards say). The proportion of bottled wine with a controlled denomination of origin label and sold abroad is rising rapidly. The trend is most noticeable in the UK and somewhat. Tess on the Continent where Spanish bulk imports are

starting to acquire a more on informing UK television respectable image, much prom-viewers of the delights of lesser-otional work still needs to be known Spanish wines from done to defend, and where foreign markets—particularly in the European Community

where complete parity of trad-ing is due in 1993. The UK is easily Spain's bigt wine market, taking about gest wine market, taking about 50 per cent of its exports, but over the past six years Spain's market share has halved, from 12 to 6 per cent, while those of France and West Germany have

steadily advanced. Belatedly, perhaps, the Span-ish government and wine trade have begun to mount a more effective and co-ordinated publicity campaign, "Wines from Spain," the official promotional body that operates under the aegis of the National Lostitute for Francia Description Institute for Export Promotion (INFE), is beginning to get realistic budget allocations.

The attack on the low-quality image originated in the UK, where "Wines from Spain" was first established in 1979. Its achievements in boosting export volume may not look par champenoise" sparkling wines. ticularly impressive so far, but Last year, with sales worth

Sales of sherry 45 30 26 15

£1.25m this calendar year, and well over £2m scheduled for next year—are enabstill blended with local wines ling it to make more impact.

Even if Spanish wine is slowly Last summer £500,000 was spent Penedes and Navarre.

what compared with the amounts spent on sales promotion and advertising by some of the bigger bodegas on their own account. In the fast-growing sparkling wine sector, (output up 50 per cent in the last five years) the market leaders Freix-net spent \$4m in the US alone last year, including \$500,000 on

last year, including \$500,000 on a Christmas advertisment featuring Raquel Welch. Other expensive TV slots featured stars like Liza Minelli and Placido Domingo. Backed by a strong distribu-

tion network, Freixnet claims that it is already the biggest-selling brand in the US, which absorbs 60-70 per cent of its

Unlike some other Spanish exporters, Freixnet says it has no "image" problem in North America. In 1984 the company acquired the Rumasa wine group to become the world's largest producer of "méthode



describes as a harder nut to erack. Yet it expects the biggest market growth in Europe to be in the UK, where it has a strong

distribution network. The US is naturally Codorniu's main target. After a period of retrenchment because of distribution problems, it plans to step up its marketing effort with a \$2m pre-Christmas with a szm pre-Christmas advertising campaign on radio. Spanish sparkling wine pro-ducers are of course banned from selling their products as "champagne," a name jealously guarded by the French. By 1992 they will also have to drop the devertision." methods champe. ription " methode champefrom their labels. They have therefore eight years to promote "cava"—named from

promote "cava"—named from the cellars where the wines are produced and their own word for "champagne-type" wine. Until recently, the bulk of their production was sold in Spain, but the growing fashion for light and sparkling wines appears to be helping their penetration of foreign markets. Export sales have tripled over the past five years, But they will have to be extremely price com-petitive to combat the entren-

ched position and prestige of French champagne. In still wines—still easily the largest sector—there are also concerns with a flair for market-ing. One of them is Miguel Torres. Spain's largest inde-pendently-owned wine pro-ducer, based at Vilafranca In the hills of Penedes south-west of Barcelona. Its promotional activities centre on the strong personality of the chairman, Mr Miguel Torres, who has an energetic approach to market-ing his products.

If any Spanish wines can claim to be the aristocrats they are some of the Riojas, named after the relatively unknown region in the upper Ebro valley. Between 25 and 30 per cent of Rioja's output is exported, a trade which in 1985 yielded Pta7.3bn according to the Rioja

Exporters' Group. The Americans drink markedly less Rioja—less indeed than the Dutch or the Danes. One reason is thought to be that US consumers—as well as some younger Europeans— difference on the supply side, prefer a lighter, fruitier wine. Producers are receiving guaran-

Ptas100m in electronically controlled cold fermentation gin label are not affected at all equipment which allows the

\$81m, it opened wineries in bouquet while retaining its
Mexico and California and even
took over a small winery in
Champagne itself
This technique is said to
reduce production costs, since

Champagne itself.
Codorniu, its Catalan neighbour and arch rival, is the other leading producer of sparkling wine and two-thirds of its exports go to the US market. Europe especially the UK, Belgium and, of course, France, it widest scope for expansion; and over the next five years it plans to invest Ptas400m in setting up

an import and distribution net-work in the difficult US market Among fortified wines sherry is, of course, unique; but no survey of Spanish wines would be complete without it. Outside its native Andalusia, little sherry is drunk in Spain compared with the quantities consumed abroad.

It accounts for roughly 25 per cent of all Spanish wine exports, and retail sales worldwide are estimated to be-worth about £500m a year (four times the free-on-board export value because of the high taxes levied on sherry sales). This total comprises: 40 per cent medium sherry, 35 per cent cream, 15 per cent fino and 10 per cent oloroso/amontilaco.

World consumption, according to the Institute of Sherry Exporters, has risen from 24m bottles in 1950 to 190m bottles per annum today. Investment in brand advertising totals over £30m per annum, more than for any other Spanish export product.

Yet behind these handsome figures all is not as well as it might seem. First, sherry is in danger of acquiring an image as an older person's drink. Young people are said to prefer long drinks to elegant, short aperitifs. Secondly, the sherry trade is worried that fashionable concern about health and diet and the perceived need to reduce calorie intake, may be leading people of all ages to turn to lighter rather than fortified

Since 1978-79 the sherry market has largely remained static "we are sailing through calm waters," said a spokesman for the Institute of Sherry Exporters. Seen against the perspective of the 7 per cent annual expansion between 1953 and 1978, perhaps some con-solidation was inevitable. But even so the sherry companies admit that "very low" profit margins are causing concern.

For wines in general, Spanish membership of the European Economic Community does not look like making a substantial Partly in an effort to meet this teed EEC prices-higher, of demand, go-ahead bodegas like course, than Spain's—for the Campo Viejo (part of the nation—wide Savim group) have turned litres of table wine, a quota increasingly to cultivating white roughly equivalent to normal annual output.

Over the past three years The growing range of better-Campo Viejo has invested about quality wines under the controlled denomination of ori-

David Rudnick

INTERNATIONAL LEVISTO BS GRUPO BANCO DE SANTANDER DISCOVER THE SECRET COMBINATION TO THE SPANISH MARKET Come into the world of Spanish business, which has one of the brightest in barope. And do it with the branches. All over the world. This is the combination. Imagination, service, strength Santander, which has one of and expansion. the most advanced baking Come in. The Banco de Systems in Spain. Santander is the key.

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Cinema

A new freedom prevails

"BLASPHEMY!" cried L'Osservatore Romano. The strange object of denunciation strange object of denunciation by the Vatican newspaper was Viridiana, the savage film satire directed by Luis Bunuel and subsidised by the Spanish Government, that won the Palme d'Or at the 1962 Cannes Film Festival.

Spanish censors who had vetted the Viridiana script before shooting began, had not spotted the filmed possibilities of scenes like the grotesque "Last Supper" of derelicts that

shocked sensitive filmgoers. The Church's condemnation of the Bunuel film soon after a beaming Spanish official had accepted the Cannes prize, enraged General Francisco

Since the end of a Civil War that embedded scar tissue in the fabric of the Spanish his officials had viewed the cinema as a moral and political tool to be used by the régime to promote its concepts of society and an image of Spain's unassailable superiority. The Viridiana outcry brought

the unceremonious sacking of officials who had subsidised the film, and a ban on exhibition of the picture or mention of its name. The film was finally pre-miered in Spain in 1977 when General Franco was dead and politics and attitudes towards the cinema had shed the constraints of self-conscious mythologising.

Banned foreign and Spanish films found an audience Spanish filmmaking that had survived censorship, persistent petty official interference, bouts of public apathy and the despondency of producers and directors, began to march to a different drummer.
The film industry is alive, well

and living in censorship-free Spain today. The problem now is to get the public away from their TV and video recorders into expensive, often uncomfortable cinemas in sufficient numbers to offer a better screen life for the deeply-personal or the epic, the comic or intimately-tragic, the angry reviews of painful history or the slices of higher or lower life that one the infinite meritar of that are the infinite variety of Spanish films each year.

In 1985, 85 Spanish films were produced—a startling figure in an era of world-wide cinema crisis. Nearly two dozen of these were of "special quality," earpost-Franco film, Camada marked for heavy official sub-Negra (1977), an expose of

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cinema more world exposure. Behind the Carlos Sauras of

the Spanish film industry, with international acclaim and the plaudits of discriminating filmgoers in many countries for works like the 1975 Cria Cuerworks like the 1975 Cria Cuervos—a portrayal of the painful consciousness-raising of a little girl in a household of decaying and dying military and stifling repression—or the pounding and pulsing Flamenco versions using Antonio Gades' dance troupe of Gargia Lames's Pland troupe, of Garcia Lorca's Blood Wedding, and Merimee's Carmen, queue many other young or youngish Spanish directors, makers of strongly-personal works that pay little heed to American style commercial criteria, who want similar acclaim and the independent financial status a strong international reputation can

between dreaming of making a quality film and being able to make it, they are building a rep-

Deprived by the fierce censor-ship of the Franco years from making clear-cut film state-ments, directors who strove to make good films despite con-straints in their formative years in the 1960s and early 1970s, then got the pent-up political and artistic vocabulary out of their systems in the free late 1970s, are now trying to find a filmic modus vivendi that no longer has to be motivated by anger against censorship or exhilaration over release.

It is perhaps the most difficult phase when there are no excuses left, and a film-maker must find his individual voice and style without benefit of scapegoats or catharsis.

" in 10 years, we have come 1,000 years," says Manuel Gutierrez Aragón, the 44-year-old director who made one feature film in the late Franco era and with his post-Franco work has taken several international and Spanish awards.

sidies (up to 50 per cent of pro-duction costs) and assiduous operating in Spain after the dicnursing and promotion by the tator's death, won international nursing and promotion by the taut's death, won international official Film Institute at prizes and praise and bombs in international festivals and the Spanish film weeks that are was shown. Such furores no lonaffording the best of Spanish ger occur; and the softly-spoken. bespectacled director no longe feels an urge to make political

> His La Mitad del Cielo (1986). subsidised by the Government, winner of this year's San Sebas-tian Film Festival Silver Shell and a box-office succe Spain (enough to recover its \$1m cost and perhaps clear another \$1m in profit) stars the current darling of the Spanish screen, Angela Molina as a young impoverished street vendor who climbs her way into the status of smart Madrid restauratrice.

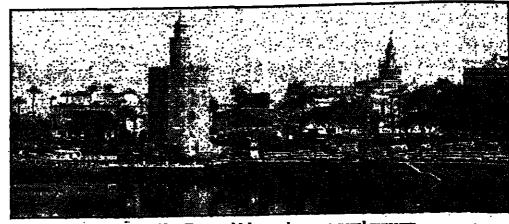
Cinema is a sponge," Manuel Gutierrez Aragón says. "Every-thing passes through it—every type of subject and style." Prom inent Spanish directors—José Luis Garci, who won Spain's first oscar in 1982 with Volver a Step by step, tied for now to La Colmena won at Berlin in official subsidies and official 1982, Jaime de Arminan, whose Industrial Credit Bank loans painful 1984 Stice Gomez, actor, playwright and screenwriter who vies for the title of most-frequently-seen Spanish actor, with Fernando Rey and Francisco "Paco" Rabal, Montxo Armendariz, the Basque director whose debut "Tasio," a chronicle of Navarre rural life, received high critical praise, Francisco Regueiro, using Fernando Rey in Padre Nuestro (1985), Jaime de Arminan, Jaime Chavarri, Antoni Ribas (a Catalan director emerging from a region that once boasted a fiercely-independent Barcelona film movement virtually destroyed by Francoist trammels), Luis Berlenga, Jose Luis Borau, many others belong to a breed that needs to make films as eagerly as some people need to drink spirits.

> Are too many films made in Spain? Over 100 a year in the Franco era (including dozens of subsidised co-productions like Spaghetti Westerns made in Almeria with minimal Spanish content), over 60 this year is more than economic criteria would approve of.

cial Film Institute, Mr Manuel Mendez Leyte, believes fewer, more polished and more commercially-viable features would be a good idea. Soaring production costs—from an average of Pta 16m in 1982 to an average of Pta 80m (£400,000) in 1985 and reliance on state subsidies and international promotion make uneasy film set-fellows, often.

Prestige and heavy bank loans can only be compatible when and the prestige helps to burnish the latter 20th century image of Spain as a place where not only Madrid but Basque or Cata-lan film makers can work in a nal satisfaction but may not-in fact, rarely does—pull in the crowds at the box office. But if creation is the better part of value. Spain's filmmakers are potent assets.

Diana Smith like Granada (20 per cent fewer tourism. More than half is to be



Seville's Golden Tower which now houses a naval museum

Tourism

Updating for the image

TT IS HARD to overestimate the importance of tourism to the Spanish economy, Primarily, it makes a critical contribution to the balance of payments; central bank figures show that in the first nine months of 1986 Spain's tourist earnings (\$9.1bn) comfortably exceeded its trade deficit and lifted its overall cur-

rent account well into surplus.
The Minister for Tourism, Mr Ignacio Fuejo, expects tourist earnings for the year as a whole to reach \$11.5bn, \$3.35bn more than in 1985. Allowing for the fact that tourist earnings are calculated in depreciating dollars, even in peseta terms, says Mr Fuejo, tourist revenue is up this year by around 18 per cent on 1985.

Tourism represents 10 per cent of Spanish gross domestic product, and provides work for an estimated 11 per cent of the employed workforce (though it is of course hard to be precise, since tourist activities do not exclusively serve tourists). If official forecasts prove correct, and the number of tourists visitand the intuities of total six visit-ing Spain reaches 29m this year (a growth of 7.4 per cent), it would according to the minister mean an increase of about 3 per cent in sectoral employment, at a time when job opportunities in the economy as a whole are

But even if tourism is Spain's biggest foreign exchange earner and economic mainstay, it still faces problems, not least of cost control Labour costs and social security contributions have risen, putting up hotel prices. Food and restaurant prices are also rising disturbingly, partly under pressure from value added tax, which Spain had to adopt on joining the European

According to a recent OECD study, Spain is second among European nations only to France in its tourist France in its tourist accommodation capacity, with almost 15 per cent of capacity in the EEC. The country continues to attract large numbers of tour- applies to visitors from other ists, most seeking the by-now traditional sybaritic pleasures

This certainly applies to the massed battalions of British, German and other northern sunworshippers, but it applies less to transatlantic visitors who go more for Spain's historic, cultural and artistic attractions (Miami is a lot nearer than Benidorm)

This year however has seen a sharp drop in the number of American tourists, in line with the trend elsewhere. The loss

Tourists to Spain

Jan-Aug 19851986 Change (m) (m) (%) 7.96 8.32 4.89 5.92 21.0 United Kingdom 3.47 4.45 28.3 West Germany 4.17 4.37 1.70 1.67 -L4 Morecce 1.13 1.24 10.1 Netherlands 0.84 0.90 6.9 0.77 0.81 5.0 0.68 0.73 . 7.5 Switzerland 0.72 0.51 -28.9 0.39 0.42 7.5

0.32 0.39 20.2

0.25 0.29 13.4

0.09 0.08 -7.2

Total all countries listed above) 29.1 31.9 9.5

Norway

Japan

tourists). Seville, Segovia, Toledo and Salamanca rather than in the seaside resorts. So although in crude numbers, the sharp increase in Brit-ish tourists (apparently reco-vered from the mugging scares of 1985) has more than compensated for the drop in US tourists, the loss has not been made good inland, since Britons are predominantly seaside package visitors who also on the whole spend less than Americans. On the other hand, some pro-

vinces in northern Spain close to France, like Cataluna and Cantabria, have reported record numbers of tourists, record numbers of tourists, many of whom will have been short-stay French visitors whose inflated numbers might give a slightly misleading impression of France's relative importance in the tourist league table. Essentially the same neighbouring countries, Portugal and Morocco.

This year has certainly been a vintage year for the package holiday trade, but the Spanish Government is anxious to entice people away from the beaches and spread the benefits of tourism more evenly around the

tourist advertisements punningly proclaim. Between now deeply rooted for some time. and 1990, Pta 6.3bn per annum is earmarked for investment in

spent on promotion, while the expansion and improvement of hotel capacity comes next in

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Mr Fuejo acknowledges that whatever the OECD's aggregates might imply, Spain needs more as well as better hotels if it is to succeed in dispersing its summer migrants around the countryside. In an attempt to encourage private investment, the state industrial holding Insti-tuto Nacional de Industria (INI) has been divesting itself of some of its hotels in the state-owned Entursa chain, and passing on others to the state-owned Parador network

Most " paradores nacionales" are former castles or convents converted into hotels. Hitherto loss-makers, this year it is hoped the 88 paradors might finally make a small profit. In the past couple of years hotel investment has taken off, with UK interests (Bass and Trust House Fortel active at the luxury end of the market. But there is still a shortage of good, reasonably-priced hotels in Spain, especially in small undiscovered places which the Government would like to put on the tourist map.

The other need is for improved transport and communications. Spain still does not have a motorway network comparable to those of France and Italy.

In an effort to remedy this, the Government is advancing the projected completion of its road development plan from 1992 to 1990. It is also planning to invest more than \$1bn a year on the railways between now and the end of the century. The rail net-work could benefit from improvement; faster and more reliable trains with proper dining car facilities would attract more peripatetic tour-

The Government wants to change the image of Spain, to attract a more discerning public of the kind who nowadays go on motoring holidays to Tuscany or the Dordogne. Nevertheless, the legendary Spain of Hemingway is dying hard. The corrida conhorrify others.

some Spaniards campaigning to have the spectacle banned blame—probably wrongly—its continuing popularity on the patronage of foreign tourists. country.

"Even Spain's prodigal sun is outshone by the magnificence of its cultural riches" the latest toned down, but as a folk flesta bullfighting is likely to remain

David Rudnick

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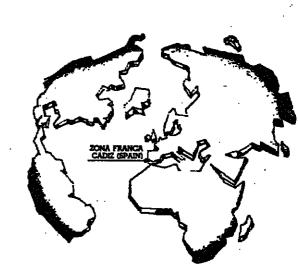
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